

TOWSON UNIVERSITY OFFICE OF GRADUATE STUDIES

United States Foreign Aid to Developing Countries:

The Point Four Program in the Hashemite Kingdom of Jordan

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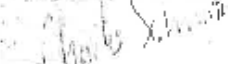
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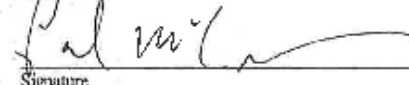


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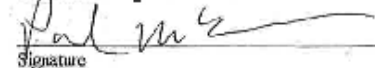
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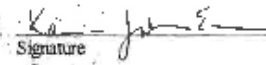


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Abstract

This thesis examines the impact of President Truman's Four Point Program on Jordan. Despite its rhetoric of development and assistance, the Program favored the political and economic interests of the United States and had some adverse consequences on Jordan's economy.

The Point Four Program's, later known as USAID, provided short-term aid that was at the expense of Jordan's long-term interests. It did however, sustain the economy in Jordan. This paper argues that while there are many benefits of aid, there are harmful consequence. Aid was evaluated through an analysis of primary and secondary resources. The study focuses on accomplishment of the PFP, the impact on economy, and the unintended consequences.

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<u>Table of Content</u>	<u>Page</u>
Abstract	iii
Acknowledgment	iv
List of Tables	vi
Chapter One: Introduction	1
Chapter Two: Literature Review and Methodology	4
Chapter Three: The Hashemite Kingdom of Jordan	11
Chapter Four: Foreign Aid	16
Chapter Five: The Point Four Program	27
Chapter Six: U.S Foreign Aid in Jordan	39
Chapter Seven: Impact of United States Foreign Aid Programs	50
Chapter Eight: Conclusion	66
Annotated Bibliography	69
Bibliography of Primary	71
Bibliography of Secondary Sources	73
Appendix A: Maps	78
Appendix B: Charts and Tables	80
Author's Resume	83

List of Tables

Appendix B:

1. Table 1: Aid given to Jordan from 1965-1999
2. Table 2: Agriculture Contribution to Jordan Gross National Product from 1965-1999
3. Table 3: Total US Economic and Military Aid to Jordan, 1946-1983 (million dollars)
4. Table 4: Import Surplus and Foreign Aid Compared, 1959-1983

Chapter 1: Introduction

The United States, under President Harry S. Truman, competed with the Soviet Union for a leading role in the international arena at the end of World War II. The struggle for power created a demand for a new foreign policy, one that would respond to the reality of a new world order. Notably, one of the policies developed and enforced was foreign aid to developing countries. This new policy of economic assistance was introduced by Truman during the 1949 inaugural speech: known as the Point Four Program (formally known as the Bold New Program), the program adopted its name from the fourth point made in reference to foreign policy during one of Truman's famous speeches.¹ The Program was significantly influenced by outside factors that affected precisely where to implement the Program, namely, the Cold War.

The power vacuum following the WWII became the primary catalyst for both the democratic United States, and the socialist Soviet Union, to assert their dominance on the geopolitical stage. This tension was felt throughout the world, and quickly the Middle East became the locus for the ideological struggle and the desire to acquire regional alliances.² The United States implemented the policy of containment which could only be achieved in the Middle East by offering the newly independent states foreign aid under the Point Four Program. One of these states was the Hashemite Kingdom of Jordan ("Jordan"), and it is the subject study of this paper. Jordan's case is considered from 1946 up until 1999.

¹ The speech and its content will be discussed with more attention in the following chapters.

² The need for such alliances in the Middle East was desirable not only for political reasons, but for far more complex reasons which are not relevant to this paper and therefore will not be discussed.

Geographically, “Transjordan” included both the lands of present day Jordan and the West Bank. On May 25, 1946, Transjordan became an independent state, officially known as the Hashemite Kingdom of Jordan. The physical borders of Jordan were shared with Syria on the north, Iraq on the east, Palestine on the west, and Saudi Arabia on the east and south. After careful consideration of an appropriate geographical location, Amman was chosen to be the capital of Jordan. Its geographical location played a major role in Jordan receiving aid.³

Transjordan emerged when the Ottoman territories were separated in 1918 by Great Britain and France: the British and the French divided the Arab provinces between themselves and placed the provinces under separate Mandates— Transjordan was placed under the British Mandate.

Jordan, a small, natural resource-poor country, has relied heavily on foreign aid both for its existence and its development even before declaring its independence. Great Britain alone offered aid and assistance while Jordan was under the British Mandate, and continued to be its main donor until 1957. As an independent state, Jordan’s goal was heavily focused on establishing a functioning government and the concomitant agencies that would sustain it. The development of governmental agencies served as a positive and necessary condition for receiving foreign aid from the United States. Furthermore, the government agencies that developed became agents for carrying out United States foreign aid missions. The programs implemented through the Point Four Program impacted the economic, social, political and agricultural aspects throughout the years, and continue to affect Jordan to day.

³ Appendix A- Maps of Jordan.

The characteristics of the Point Four Program remained relatively static for a decade until John F. Kennedy assumed the presidency in 1961. Previously, the Point Four Program consisted of two agencies: the Development Loan Fund (DLF), which provided concessional credits to developing countries, and the International Cooperation Agency (ICA), which under the State Department was responsible for technical assistance. Each of these divisions had varying responsibilities and duties.⁴ While in office, President Kennedy merged the two agencies into a single entity: The United States Agency for International Development (“USAID”). The USAID structure has remained constant since President Kennedy, and it continues to operate in Jordan.⁵ However, for the purposes of this paper, the time period examined is 1948 until 1999; the duration of the rule of King Hussein until his death in 1999.

The intent of the foreign aid programs in Jordan was for both economic stability, and military stability in support of promoting peace in the region. This paper aims to summarize the impact of United States foreign aid policy based on the evidence presented from Jordan’s case. The United States foreign aid regulations in Jordan prioritized American interests. They did however benefit and sustain the economy in Jordan. On the other hand, some projects and programs made between the U.S. and Jordan negatively impacted the Jordanians on a micro-level, and in an unintended manner mostly.

⁴ Carol Lancaster, *Foreign Aid: Diplomacy, Development, Domestic Politics* (Chicago: The University of Chicago Press, 2007), p. 71.

⁵ Although the structure remains the same, the mandate of the USAID today is constantly changing to accommodate the policies.

Chapter two: Literature Review and Methodology

Literature Review:

Generally, literature on foreign aid focuses on the macroeconomic efficacy of aid. The scholarly community also recognizes the importance of identifying the unforeseen consequences of aid and its negative impact on recipient states. The effectiveness of aid, and the negative aspects of it, are discussed herein within a theoretical framework that explores the vast implications of giving and receiving foreign aid within a quantifiable system. To measure the ineffectiveness of aid scholars have followed three main focuses: for purposes of this study, however, the two-gap model is primarily examined and used as a reference.

The two-gap model consists, per the name, of two gaps in developing economies that must be filled. The first gap is that between investments and savings in the economy. The second gap is that between exports and imports. A developing country is only capable of producing primary goods, and would in turn must rely largely on imports to sustain itself. This typically causes a difference in cost, in which the latter outweighs the first, and the developing country in turn faces current-account deficits.

In the two-gap model, a recipient state must submit to constraints on savings and export earnings that directly contribute to economic growth or the lack thereof, focusing upon the improvement of a recipient-state gross domestic product (“GDP”).⁶ The two-

⁶ Diana Hunt, *Economic Theories of Development: An Analysis of Competing Paradigms* (Maryland: Savage, 1989), 31. This theory known as the Harrod-Domar Growth Model states that “the savings in rate, together with the capital output ratio, is reinstated as one of the key determinants of economic growth...the Harrod Domar growth formula was adopted by some development economists in order to estimate the target savings rate needed to achieve a growth rate, the capital output ratio.”

gap model remains the most influential theoretical framework and critique in aid effectiveness literature.⁷ Foreign aid theoretically should bridge the gap between investment needs and domestic savings. Early authors, from the 1960's, who assessed foreign aid concluded, however, that such aid had no significant impact on growth, savings or investment. Peter Boone and Daniel Ehrenfeld argued that studies recorded a decrease in public consumption of local wares, which in turn, caused failed investments.⁸ Peter Boone and Daniel Ehrenfeld both found that such aid negatively impacted savings.⁹ Ehrenfeld coined the concept of "tied-aid" to explain how such aid negatively affects a country's savings.¹⁰ When aid money is tied to purchasing only certain goods from the donor state, the competition in that country's own local markets is eliminated. The benefit of such aid is then distorted.¹¹ Boone agrees that foreign aid has the stated purpose of improving human development, and does so, to a certain extent assist. However, Boone noted that in many cases the opposite has proven true. Boone further

⁷ Nadia Masud and Boriana Yontcheva, *Does Foreign Aid Reduce Poverty?: Empirical Evidence From Nongovernmental and Bilateral Aid* (IMF Working Paper, Washington, DC: International Monetary Fund, 2005). It should be noted that the two-gap model has been criticized since its inception by Harrod and Domar; nonetheless, it has provided the underlining "principles both for early aid policies and for regression specifications of most empirical papers that focused on aid growth and savings relationship.

⁸ Andres Young, *Introduction to the Science of Government: and Compendium of the Constitutional and Civil Jurisprudence of the United States* (Albany: W.C. Little, 1839), 321. Unproductive public consumption is consumption of "value to satisfy the *wants and desires* of individuals...in contradistinction to the consumption of value for the purpose of reproduction; and may be considered to include the consumption of whatever is necessary to sustain human life."

⁹ Peter Boone, "Politics and the Effectiveness of Foreign Aid." *European Economic Review* 40 (1996): 290-329; Daniel Ehrenfeld. "Foreign Aid Effectiveness, Political Rights and Bilateral Distribution." *The Journal of Humanitarian Assistance* (Feinstein International Center), February 2004.

¹⁰ *Ibid.*

¹¹ This is closely related to unintended consequences for purposes of this paper, and discussed in chapter 7.

rejects the blame critics put on recipient states (the argument that poverty is only a reflection of local governmental failures).

Instead, he uses the two-gap model to explain why developing states experienced economic growth failures. Others, like Craig Burnside and David Dollar, in 1997, recognized that aid can be effective when policies in the recipient state are good. Their conclusion supports the two-gap model theory, emphasizing the importance of the recipient state's level of development, and asserts using the model for measuring the effectiveness of aid.

Three main arguments have emerged in response to the studies questioning the effectiveness of aid. First, one group contends that aid is misallocated as a result of donors giving aid for strategic reasons.¹² Many of the studies that address the effectiveness of aid define the donor's objective as promoting economic growth and improving human development through the reduction of poverty. A different set of scholars have identified other objectives, such as donors who allocate aid to pursue their own strategic interests, whether political or otherwise. Secondly, studies on the effectiveness of aid assume that the recipient states share the donor's philanthropic objective. Jakob Svensson, S. Mansoob Murshed, and Somnath Sen point out that a recipient state and a donor state can have conflicting objectives from receiving/giving aid.¹³ Accordingly, if aid is misallocated or misused, the effectiveness of aid cannot be

¹² Nadia Masud and Boriana Yontcheva, "Does Foreign Aid Reduce Poverty?: Empirical Evidence From Nongovernmental and Bilateral Aid" (IMF Working Paper, Washington, DC: International Monetary Fund, 2005).

¹³ S. Mansoob Murshed and Somnath Sen, "Aid Conditionality and Military Expenditure Reduction in Developing Countries: Models of Asymmetric Information." *The Economic Journal* 105, no. 429 (1995): 498-509; Jakob Svensson, "When is Foreign Aid Policy Credible?" (Policy Research Working Paper, The World Bank, Washington, 1997).

properly assessed. Thirdly, as Boone suggested, some theorists believe aid effectiveness cannot be measured by the growth of GDP. Such arguments suggest that foreign aid can be focused on increased consumption in recipient states rather than investments. These arguments led Boone to shift the focus on social indicators for the study of aid effectiveness.¹⁴ To properly measure the effectiveness of aid, this paper is limited to a fifty-year time period in order to isolate factors.

Methodology:

This study focuses upon the fifty-year time span (1946-1999) which began with Jordan's independence and ended with the death of the 47-year reigning King Hussein. The years following the transition of Jordan from King Hussein to King Abdullah II (1999-present) are outside its scope. This study confines itself to the three major eras and time periods under King Hussein's reign.

The first time period, 1946-1952, marks the adoption and initial implementation of the Point Four Program in Jordan. The second period, from 1952 to 1961, consists of the nine years that the Point Four Program was fully implemented in Jordan and ends when President Kennedy merged the program into the USAID. The third and final time period considered is from 1961 until 1999 when Jordan's King Hussein died.

The period after King Hussein's death was marked by major changes through the brief succession crisis, until he was succeeded by his eldest son, Prince Abdullah. With the

¹⁴ Boone tested for the increase of consumption rather than the increase in investment through examining the impact of aid on "changes of basic indicators of human development such as infant mortality, primary schooling ratios, and life expectancy." In the past twenty years, a new category of actors in the realm of foreign aid emerged: Non-governmental Organizations (NGOs). NGOs have long existed in the international community; however, their involvement in foreign aid intensified in the past twenty years especially in the social development aspect. For purposes of this research, effectiveness of aid will be focused on agencies associated with the United States.

commencement of King Abdullah II's reign, the Kingdom embarked upon different economic policies that are problematical for historical evaluation given their recentness and complexity.¹⁵ Sources from both the United States and Jordan were examined for this study in relation to the issues being considered. Records from Jordan were used to understand the local impact, whether social, political or economic. Records from the United States were analyzed to fully understand the origins of the Point Four Program and the objectives underlying it.

The Truman administration created hundreds of records documenting the creation and development of the Point Four Program which are stored in the National Archives in Washington, D.C. These records were examined to understand the circumstances surrounding the decision to incorporate the program and its implementation in foreign countries, specifically the Hashemite Kingdom of Jordan. These records additionally contain documents detailing the elements of the Point Four Program and the institutions created in the United States to implement the Program. The archives included documents of the meeting minutes between the State Department and its officials. These documents detail how the Point Four Program aspects were finalized, and serve as a valuable source of information. For example, President Truman's inaugural speech set the stage for the Point Four Program and identified the foreign policy of the United States at the time of

¹⁵ Ministry of Planning and International Cooperation, *The National Social and Economic Development Plan 2004-2006*. (Amman: The Ministry of Planning and International Cooperation, 2007). Economic reforms under King Abdullah II were different from those of his father King Hussein. The Western educated king had more radical and ad hoc policies to assist Jordan in the economic crisis that it faced at the end of the 1990s. His basic policy of bringing cooperation and partnership between both the private and public sectors has already begun to show positive outcomes on the economy of Jordan. The economic reforms have one objective: to help "achieve growth rates in terms of the gross domestic product at fixed prices...that exceeded the population growth rates."

the program's inception. Moreover, the speech set up the guidelines for the program and provided a valuable standard for evaluating the effectiveness of the imposed policies, and the objective behind providing aid. These sources were used to compare the stated purpose of aid, and the actual outcomes of policies implemented.

Scholars have suggested three reasons why the United States provided foreign aid, each covering a different aspect of development: social, economic and political. Scholars working in these fields have produced books, scholarly articles, and other resources to examine the effect of foreign aid. These secondary sources were used to analyze the various outcomes of the Point Four Program both in Jordan and in other countries where the program was implemented. Moreover, these resources analyzed the newly developed political structure of Jordan and how that structure played a role in the effectiveness of the program.

Primary sources were used to evaluate the effect of the Point Four Program from the perspective of Jordan. The agricultural community in Jordan, for example, suffered greatly from the scarcity of water and in turn agriculture. This was an issue that resulted in some unintended consequences in the Point Four Program's attempt to address this problem. This assessment was done by analyzing unclassified documents produced by the State Department regarding agriculture in the Middle East, including Jordan.

Since its creation, Jordan's Department of Economics has recorded its economic development through statistical data. An analysis of this data assisted in tracking the economic development based on GDP. Similarly, the United States Department of Agriculture has also maintained records of Jordan's agricultural status since its creation, as it contributed aid to the agricultural realm in Jordan. The Ministry of Public Works

and Housing of Jordan worked hand in hand with the Point Four Program, as it still does today with the USAID. Documents from the Ministry of Public Works and Housing assisted in understanding the types of projects carried out and the results of these same projects. An analysis of that data provided evidence and perspective on the affects that the Point Four Program had on the agricultural community, economic development and other projects.

Chapter Three: The History of the Hashemite Kingdom of Jordan: From Independence to Dependency

Jordan has been home for many groups even before its creation as a state.¹⁶ Prior to its independence, the area was known historically as Transjordan, which was a territory of the Ottoman Empire. It was fractured, consisted of various independent communities, and no clear group was steadily in power, until it became unified in 1946. Modern day Jordan shares its borders with Syria on the north, Iraq on the east, the West Bank and Israel on the west, and Saudi Arabia on the east and south, with Amman as its capital. Jordan received its independence from Britain in 1946 and has been under the rule of the Hashemite Royal Family ever since.

Before World War I, no state existed on the geographic lands beyond the River Jordan. The urban concentration was not significant enough to become a center around which political and economic powers could be established.¹⁷ Amman, now the capital of Jordan, was a deserted village until the 1870s, and did not possess a cohesive enough community to warrant a state building. Nevertheless, Transjordan experienced a form of “statehood” under the rule of the Ottoman Empire which imposed taxes, enacted resource redistribution, provided security, and initiated economic development programs such as the *Hijaz Railway*.¹⁸

¹⁶ The land of Jordan witnessed many intrusions over the centuries: the Amorites, Semitic nomads from central Arabia (Canaan), the Israelite exodus (led by Moses), the Ottoman Empire and the Islamic conquest to name a few.

¹⁷ Phillip Robins, *A History of Jordan* (Cambridge: Cambridge University Press, 2004), 5.

¹⁸ *Ibid.* The Hijaz Railway linked Damascus and Medina which facilitated trade. The original tribes of Jordan enjoyed the benefits of a quasi-state under the Ottoman Empire. The tribes benefited directly from the Ottomans by receiving security, land registration, agriculture, trade, and enhancement of some economic aspects. *Ibid at 10*. In other words, while Jordan was under the Ottoman rule, it did nonetheless was recognized by the Ottoman empire as a separate entity.

The Emirate of Transjordan emerged as a state during the post-war partition of the Ottoman Empire. According to Rogan, Transjordan is “frequently dismissed by modern scholars as the most artificial, neither nation nor state” in a post-war order of nation-states.¹⁹ Under the Ottoman Empire, there was no known administrative unit in Transjordan, and no common identity or political order uniting its districts.²⁰ During the 19th century, the East Bank of Transjordan witnessed no significant changes; nomadic life continued as it had existed previously for centuries, and the only acknowledged authority was that of the tribes’ sheik.²¹ Conversely, the West Bank had witnessed the Crusades, and European influence began to be felt. A considerable part of the population was urban, living in villages or farming the lands.

With the onset of the 20th century, conflict erupted between the Central Powers (Germany, Austria-Hungary, the Ottoman Empire, and Bulgaria) and the Allied (Entente) Powers (France, the British Empire, the Russian Empire, Belgium, United States, Italy, Japan, and others). As the Ottoman Empire was engaged in this rivalry, it established Amman as the headquarters of the Ottoman army in Transjordan to fight the emerging challenges from the British in Egypt.²² The outbreak of World War I did not affect the Arab population at first. However, the impact of the war became more obvious when

¹⁹ Eugene L. Rogan, *Frontiers of the State in the Late Ottoman Empire: Transjordan, 1850-1921* (Cambridge: Cambridge University Press, 1999), 1.

²⁰ Jordan consisted mostly of tribes and Bedouins who constantly moved around, making it difficult to establish district or a common identity amongst the tribes. Phillip Robins, *A History of Jordan* (Cambridge: Cambridge University Press, 2004), at 10.

²¹ Anne Sinai and Allen Pollack, *The Hashemite Kingdom of Jordan and the West Bank: A Handbook* (New York: American Academic Association for Peace in the Middle East, 1977), 21. Ajlun was the exception. The limited population that did live there was mainly concerned with farming due to the favorable climate conditions of the area.

²² Robins, *History of Jordan*, 11.

trade became limited.²³ Soon, with the recommendations of T.E. Lawrence and Sir Henry McMahon, the sons of the Sharif of Mecca (Feisal and ‘Abdallah) became involved.²⁴ A key letter written by McMahon on October 24, 1915 accepted Emir Hussein’s “proposal to establish Arab independence” in the Arabian Peninsula, Syria and Iraq.²⁵ Rule over the East Bank, now called Transjordan, was assigned by British consent to Emir Abdallah, with an annual subsidy.²⁶ Meanwhile, negotiations were still taking place to finalize the wording of the Mandate of Palestine. The final draft of the Mandate of Palestine gave the authority to withhold “the application of the Mandate to the territories east of the Jordan River,” which consequently, gave a legal basis for creating the Emirate of Transjordan.²⁷

Transjordan, under Emir Abdallah, proclaimed its independence on May 15, 1923 and was recognized by Britain. With its independence, Abdallah realized the need for a military force, and consequently, the Arab Legion was created under a British commanding officer. The military was established so that the Bedouin tribes, which were still armed, could be kept under control. On February 20, 1928, Britain and Transjordan signed an agreement (followed by a law) recognizing Emir Abdallah as the head of state “with hereditary rights and declared Islam to be the religion” of Transjordan.²⁸ The agreement also mandated that Transjordan would remain under the supervision of the British.

²³ *Ibid.* Merchants running the trade routes took advantage of the Great War outbreak to provide for the military instead.

²⁴ Pollack, *Hashemite Kingdom*, 21.

²⁵ *Ibid.*

²⁶ *Ibid.*, 23.

²⁷ *Ibid.*

²⁸ *Ibid.*

As World War II ended, Britain promised Emir Abdallah and Transjordan complete independence. The Treaty of Alliance signed between Britain and Emir Abdallah on March 22, 1946 formally recognized the independence of Transjordan, with prior notice to the United Nations.²⁹ British military and technicians were stationed in Amman and throughout Transjordan in order to assist in formulating a foreign policy concerning common interests. On May 25, 1946, Emir Abdallah assumed the title of King of the Hashemite Kingdom of Transjordan, later named Hashemite Kingdom of Jordan.³⁰ Abdallah's reign, however, was short-lived: he was assassinated on July 20, 1951 in Palestine while entering al-Aksa mosque. Being a constitutional monarchy, King Abdallah's son, Prince Talal, succeeded the throne. He was later deemed mentally ill and unfit to rule; subsequently, Prince Hussein *bin* Talal was crowned as the new King in 1953.³¹ Despite the chaos created by these setbacks, Jordan achieved international recognition eight years later, being admitted into the United Nations.³²

The history of Jordan as outlined in this chapter only attempts a broad, generalized view that provides the requisite knowledge as to why the Point Four Program, and later the USAID, had the impact it did on Jordan. Jordan's history inheres upon the cyclical pattern of losing sovereignty over its own affairs, its geopolitical orientation being determined, in large part, by Western powers. Such a history serves as a reminder that even before its creation as a state, Jordan witnessed a constant struggle for sovereignty and independence from foreign powers. Yet, Jordan's most desperate struggle for sovereignty came when Great Britain commanded Jordan in all its affairs, foreign and

²⁹ *Ibid.*

³⁰ *Ibid.*

³¹ *Ibid.* Prince Hussein was crowned after a regency that lasted until he turned eighteen years old.

³² *Ibid.*, 28.

local, even after Jordan's ostensible independence. Traces of western imperialism, namely British imperialism, dominated Jordanian affairs, such as British control over Jordan's military. A few years after Jordan was recognized as an independent state, its military remained under the command of Glubb *Pasha*. Such continued control undermined the sovereignty of Jordan.

The historical instability of the region, and more specifically, Jordan's political situation, has played a major role in the structure of Jordan. The assassination of its Emire and the diagnosis of mental illness in its first King contributed to the instability of Jordan and effected a continual state of emergency. So, too, has the labeling of Jordan as a poor country by its oil wealthy neighboring countries, who portray Jordan as a weak and helpless state. Consequently, foreign powers had an ostensibly benevolent rationale to meddle in Jordan's affairs. Its geographic location, bordering the country now known as Israel, rendered Jordan an object of interest for the United States for its own strategic goals. Jakob Svensson, S. Mansoob Murshed, and Somnath Sen affirm that Jordan's peace treaty with Israel came through pressures put on it by the United States. Jordan's need for U.S. aid put economic pressure on Jordan to sign the treaty, a treaty that conflicted with Jordan's own political stand within the Arab world. Although these are not directly a result of aid, they are nonetheless unintended consequences that affected the affairs of Jordan.

Chapter Four: Foreign Aid

What is Foreign Aid?

The concept of foreign aid was not created by the United States. It was, however, reframed to take into consideration the then global threat of communism. A discussion regarding foreign aid and its strengthening at the end of WWII aims to explain the circumstances surrounding American policy makers who established foreign aid as a tool of foreign policy. Originally, foreign aid was extended to European countries to restrict the spread of communism throughout Europe (this will be discussed further on). The topic is relevant in considering aid to Jordan because the establishment of foreign aid in Jordan (and the Middle East in general) principally came as a means to an end, that of warding off the threat of communism. It was not until the Soviet Union attempted to gain access to the Middle East that foreign aid was extended to that region.

Foreign aid as a tool of foreign policy was initially targeted for European and Latin American countries. The progression of aid to these regions also outline the justifications and thought processes of American policy makers, who later extended the same policies from Europe and Latin America to the Middle East as threats of communism became prevalent, and threatened the new world order.

In many cases foreign aid positively contributes to the advancement of lesser developed societies, allowing these recipient states to achieve economic development and independence. Of note and relevance to this paper, economic independence does not mean economic isolation. Rather, economic independence is used within the framework of tied-aid. Economic independence means a state would make decisions based on its own interest, rather than imputed interests of the donor states. As discussed in the next

chapter, there were many benefits of aid in Jordan, many projects carried out, but also some unintended consequences of aid.

It is important to distinguish between aid given by colonial powers to their colonies and foreign aid that transfers funds between two (or more) independent governments or states. In Jordan's case, it received funds for structural development by its colonizer Great Britain, prior to its independence. Great Britain gave these funds to maintain British interests in Jordan, especially during WWII. In addition, British funds to Jordan before its independence included military assistance, government export credits, subsidies promoting private investment, intelligence related funding, bribes, funds to fight international crime or to fight terrorism, all of which foreign aid does not fund.³³

Carol Lancaster defines foreign aid as “a voluntary transfer of public resources, from a government to another independent government, to a non-governmental organization (NGO), or to an international organization...with at least a 25 percent grant element.”³⁴ Another brief definition comes from the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development, which defines foreign aid as the “financial flows, technical assistance, and commodities that are (1) designed to promote economic development and welfare as their main objective (thus excluding aid for military or other non-development purposes); and (2) are provided as either grants or subsidized loans.”³⁵ The DAC used the distinctive term *development* so that it would not

³³ *Ibid.*, 11. There are other issues excluded from foreign aid programs. It should be noted that what foreign aid should include often constitutes grey areas at times, even for the DAC.

³⁴ Lancaster, *Foreign Aid*, 9.

³⁵ Steven Radelet.

restrict the many types of development foreign aid provided.³⁶ Foreign aid in general aimed at “bettering the human condition.” However, foreign aid encompassed a number of other purposes such as “providing humanitarian relief, supporting economic and social progress, promoting democratization, addressing global problems, and managing post-conflict transitions.”³⁷ With this, the U.S. made economic development to Third World countries one of its primary objectives after World War II.

International economic assistance existed prior to WWII, but it was primarily carried out by the private sector.³⁸ The flow was concentrated on “trade and private investment, with the emphasis being placed upon transactions which provided their own profitability.”³⁹ During the 1920s, there was a boom in “private investment abroad through the sale of foreign securities in the richer countries” which ended with the Great Depression in the 1930s.⁴⁰ The virtual disappearance of the private sector in providing foreign aid urged other organizations to step in. These organizations began to change the fundamental nature of foreign aid in the 1940s, starting with the Bretton Woods Conference in 1944. Officially known as the United Nations Monetary and Financial Conference, it consisted of representatives from forty-four countries who gathered to discuss economic problems and propose solutions for the post-war era.⁴¹ The United States representative Harry D. White invited financial experts from the international

³⁶ Lancaster, *Foreign Aid*, 10. Lancaster, for example, specifically uses the term “to better human condition” in her definition of aid, which sees development in the aspect of social progress as well as an economic one.

³⁷ *Ibid.*

³⁸ Willard Long Thorp, *The Reality of Foreign Aid* (Santa Barbara: Praeger Publishers, 1971), 44.

³⁹ *Ibid.*

⁴⁰ *Ibid.*

⁴¹ James Gilbert Ryan and Leonard C. Schlup, *Historical Dictionary of the 1940s* (New York: M.E. Sharpe, 2006).

community to establish a framework for economic development and stability.⁴² The Bretton Woods Conference led to the creation of the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (later to be named the World Bank) with operations commencing in 1946.⁴³

The United States' attention during WWII shifted from assisting developing countries to supplying allies with both civil and military needs.⁴⁴ Even after the war, the Export-Import Bank of the United States made large loans with various justifications. The justifications associated with these loans were social progress, political stability, contributions to growth of democracy and providing "a greater demand and increased purchasing power for United States exports."⁴⁵

With more states requesting loans, the United States Congress was pressured to create a consolidated program to deal with international assistance requests. The mounting strain upon the United States directly changed the focus of the foreign policy structure and contributed to a shift in foreign policy throughout the international community at the end of World War II. World War II created a power vacuum that the United States was eager to fill.⁴⁶ Meanwhile, in the aftermath of World War II, the most powerful European

⁴² *Ibid.*

⁴³ *Ibid.* Although the initial purpose of the World Bank and the International Monetary Fund failed in the 1960s and 1970s, the two organizations continue to play a role in the world economy, with different ideologies and methods.

⁴⁴ Throp, *Reality Foreign Aid*, 49. During WWII, the attention shifted to supporting allies through the "lend-lease" programs which supplied allies with both civilian and military goods. These supplies continued even after the war ended under a "soft loan" basis.

⁴⁵ *Ibid.* Prior to WWII, the Export-Import Bank (established in 1934) financed trade with Russia and other countries worth millions of dollars. The justifications associated with these loans were social progress, political stability, contributions to growth of democracy and providing "a greater demand and increased purchasing power for United States exports."

⁴⁶ *Ibid.*, 20.

geopolitical actors were decimated. Consequently, there was pervasive economic stagnation and hardship. These conditions led the United States to create a multinational program that focused on European recovery, the European Recovery Program (ERP) of 1948. The ERP marked the first authorized American foreign aid bill.⁴⁷ President Truman began this program and gradually let it formulate his foreign policy with Europe. Furthermore, the ERP promised a long-term aid commitment aimed at reconstructing Western Europe.⁴⁸

Cold War Threat

The Cold War dominated international relationships from 1945 till 1991. The two leading political ideologies set the international political stage. Tension characterized the atmosphere between the United States and the Soviet Union in the political, economic, and military alliances framework. According to Painter, the Cold War caused “polarization of domestic and international politics; the division of the world into an economic sphere; and competition and conflict in the Third World.”⁴⁹ This conflict became global in scope because each of the two blocs’ aimed at geopolitical dominance, and had the means to reasonably affect major changes in international relations. In addition, as Shlaim and Sayigh affirm, both countries increased the tensions between them by seeking to align as many states as possible to support its own ideological position.⁵⁰ The Third World countries were especially affected, as the Cold War era

⁴⁷ *Ibid.*, 49.

⁴⁸ Cecil Van Meter Crab, Glenn J. Antizzo and Leila E. Sarriddine, *Congress and the Foreign Policy Process: Modes of Legislative Behavior* (Louisiana: Louisiana State University Press, 2000), 93. The long term aid program entailed \$13 billion dollars.

⁴⁹ David Painter, *The Cold War: An International History* (New York: Routledge, 1999), 1.

⁵⁰ Avi Shlaim and Yezid Sayigh, *The World War and the Middle East* (New York: Oxford University Press, 1997), 7.

“overlapped with the era of decolonization and national liberation in the Third World.”⁵¹

The Soviet Union especially concentrated on movements happening within the Third World, and saw them as an upsurge of oppressed people against both imperialism and capitalism.

On the other hand, the United States questioned the Soviet Union’s movements and interpreted them as being hostile, necessitating the creation of security doctrines. Viewing communism’s role in Third World countries and other regions of the world as a threat, the United States decided to act swiftly. With George F. Kennan’s Telegraph, the United States policy makers and the world were introduced to a new concept: a foreign policy of Soviet containment. The Soviet Union needed to be contained, in addition its ideological differences, because it operated on Stalin’s view of a hostile world, as outlined in Kennan’s telegraph.⁵² Kennan observed this was based on fear the Soviets intended to instill in the world, and that the solution was to strengthen Western institutions to eliminate vulnerability to the Soviet threat.⁵³ In other words, the Soviet Union and its threats needed to be contained.

This policy, adopted by President Truman became the major justification for foreign aid in states deemed vulnerable to the communist expansion. As Carol Lancaster suggests, President Truman’s development of foreign aid acted as an “instrument of Cold War diplomacy.”⁵⁴ Louis A. Picard, Robert Groelsema, and Terry F. Buss agreed with Lancaster’s statement that from 1945-1950 “foreign aid was actually thought to be the

⁵¹ Painter, *The Cold War*, 1. The threat of the Cold War specifically on Jordan will be discussed in greater length in the following chapters.

⁵² Kennan, George F. (February 22, 1946), *The Long Telegram*

⁵³ *Ibid* at 292–295.

⁵⁴ Lancaster, *Foreign Aid*, 25.

primary instrument for containing the Soviet Union, more important than military power.”⁵⁵ President Truman noted in March of 1947 that through economic and financial aid, the United States could help subjugated people resist outside pressures, referring to communism and the Soviet Union.⁵⁶ Consequently, Secretary of State George Marshall took Truman’s words and turned them into a policy aimed at assisting European countries.⁵⁷

Meanwhile, the Soviet Union began its own tactics of communist infiltration in the Middle East, sparking concern in the United States. While the region as a whole was important for the Soviets, Jordan’s position during the Cold War concerned the Soviets to an extent. King Hussein recognized that monarchy and communism would not be fundamentally compatible and as countermeasure, utilized the United States ideology of democracy. The United States would surely support Jordan, specifically King Hussein, if their foreign policy were dominated by two concerns: The first concerned the King’s desire to deter all enemies of any kind (communist, Palestinian Liberation Organization (PLO), etc.); the second dealt with Jordan’s need to remedy its severe budget deficit within the first decade of its existence.

At first, the United States did not view Jordan as a vital state wherein a containment policy was necessary. However, shortly after the policy began to be enforced in the Middle East, the United States recognized the importance of maintaining a friendly regime in Jordan; Jordan’s ties with Great Britain obviously factored into this decision.

⁵⁵ Louis A. Picard, Robert Groelsema and Terry F. Buss, *Foreign Aid and Foreign Policy: Lessons for the Next Half-Century* (New York: M.E. Sharpe, 2008), 28.

⁵⁶ President Truman’s Message to Congress; March 12, 1947; Document 171; 80th Congress, 1st Session; Records of the United States House of Representatives; Record Group 233; National Archives.

⁵⁷ *Ibid.*, 28.

Great Britain viewed the collapse of the regime in Jordan as potentially disastrous to their position in the Middle East. In a visit to Washington, Prime Minister Samir al-Rifai' commented that President Nasser of Egypt was not only a false leader of Arab Nationalism, but "single-handedly opened [the] Middle East to communists. Moreover, as result of the visit to Washington, Jordan was granted military and foreign aid assistance to protect Jordan from outside threats."⁵⁸ Upon reaching Jordan, Prime Minister Rifai resigned from his duties and was replaced by a pro-Nasserist Prime Minister, Sulayman al-Nabulsi. The assignment enraged the British Ambassador to Jordan, Charles Johnston.⁵⁹ Johnston viewed Nabulsi's appointment as a concern because Nabulsi's regime had simply "opened the doors to chaos and communism."⁶⁰ With this political instability in the policies of the Jordanian government, the United States used aid to stabilize the situation. It viewed Jordan as a politically necessary ally to further its own political interest in the region, namely blocking communism out of Jordan and protecting its other regional allies (primarily Israel) at the same time. The purpose of foreign aid, therefore, can be grouped into four categories.

Purpose of Foreign Aid

The United States reinforced foreign aid as a tool of foreign policy, which warrants a discussion on how it was used as a tool. Donor states laid out certain objectives and purposes for providing aid and these purposes determined the amount of aid given, how it was to be used, and to which countries aid was given. The purposes of foreign aid can be divided into four categories: diplomatic, developmental, humanitarian relief, and

⁵⁸ Roby Carol Barrett, *The Greater Middle East And The Cold War: US Foreign Policy Under Eisenhower* (New York: I.B. Tauris and Co Ltd., 2007), 131.

⁵⁹ *Ibid.*, 132.

⁶⁰ *Ibid.*

commercial.⁶¹ Each one of these categories covered a broad range of issues and elements mutually important for both donor and recipient states.

The first purpose of foreign aid was to further diplomatic goals. The premise of diplomacy was political activity. It enabled states to secure objectives central to their foreign policies, without resorting to force, propaganda or even law.⁶² The term diplomacy covered a wide spectrum of relationships between states such as development, humanitarian relief and intervention, cultural affairs, etc. As such, foreign aid became a tool of diplomacy motivated by the donor states' own interest (whether it is international security or political interests abroad). Donor states used foreign aid as a tool to ensure access to government officials in recipient states. In Jordan's case, which will be discussed in greater detail in the following chapter, the United States had regional interests specifically in Israel. It could secure Israel's borders by offering foreign aid to Jordan.

Second, foreign aid could be used for commercial reasons such as expanding the donor state's imports and secure access to the recipient state's raw materials exports. Aid could be allocated as part of mixed-credit schemes according to Berridge "to provide financial incentives for foreign countries to import goods and services from the donor country."⁶³ Foreign aid for commercial needs could also be used to finance investment

⁶¹ Lancaster, *Foreign Aid*, 13. There is also a cultural purpose which will not be used for analysis in this research. Cultural purposes focused on funding that built language schools or religious buildings to strengthen and expand religious/language communities of the donor states.

⁶² Geoff Berridge, *Diplomacy: theory and practice* (New York: Palgrave, 2002), 1. Prior to Cardinal Richelieu, these activities were known as negotiations (*négociation continue*) and affixed to the term 'diplomacy' in 1796. Moreover, it should be understood that diplomacy was not only carried out by diplomatic agents, but rather by other officials and by private persons (under the direction of officials), that is, diplomacy can be carried out through different channels and can address a variety of issues.

⁶³ *Ibid.*

opportunities in recipient states for projects that would assist in maintaining the existence or extraction of raw materials that could then be sold by the donor state. Most relevant to the case in Jordan, as will be shown in the following chapter, was the expansion of American exports. The United States agreement with Jordan gave conditions by which it required priority to be given to exported American goods.

Third, foreign aid could support humanitarian relief purposes. Human suffering in poor countries exists for many reasons (i.e. poverty, famine, etc), but could also be the result of natural and human caused disasters (war for example). When a natural crisis occurs, many people become displaced and human suffering increases. A human caused crisis could also increase suffering by yielding refugees. At issue is the pressure put on countries to support an influx of refugees when that country is unable to support its own people.

Fourth, foreign aid was given for the said purpose of development in donor countries. The term *development* was used to describe both economic and social progress, reducing poverty and bettering human life. Foreign aid used this way became what Lancaster terms to be a symbol of “solidarity” of the donor state. It was given to better the lives of the disadvantaged and to support social justice.⁶⁴ Foreign aid assisted economic progress by easing financial constraints on poor countries through stabilizing their economies and stimulating economic growth. Foreign aid also assisted in development by filling budgetary needs and balancing the payment gaps of recipient states, as well as financing technical assistance, infrastructure projects and the expansion of public services and health.⁶⁵

⁶⁴ Lancaster, *Foreign Aid*, 14.

⁶⁵ *Ibid.*

This paper concentrates on the two first frameworks of foreign aid and how such aid affected Jordan. The United States had given Jordan and other recipient countries foreign assistance when there was a problem of refugees. Because of Jordan's proximity to its neighbor, Palestine, Jordan received an influx of refugees fleeing the Israeli-Palestinian conflict. The increasing number of refugees fleeing to Jordan burdened Jordan's resources, limiting the amount available for its own people.

Chapter Five: The Point Four Program

Progression of Research:

This research paper was initially intended to be a critique of U.S. foreign aid to developing countries. With the progression of research, however, the intention shifted to be a historical overview of U.S. aid in Jordan, and how it promoted economic development in Jordan. While in the initial stages of research of the origins of the Point Four Program, it became apparent that not much attention was given to its origins. Most sources used made references to the origins of the program, but none in great detail. The Point Four Program origins, for this paper, are considered crucial to understanding of the program that led to almost 70 years of giving to lesser developed countries. With that, this chapter is intended as a guide of the program, and its progression into a foreign policy tool, and the great deal of thought that went into the creation of the Program.

Aid in the United States

Prior to the Point Four Program, the primary foreign aid program in the United States was the European Recovery Program, known then as the Marshall Plan. The justification for the creation of the Marshall Plan became the starting point for other foreign aid programs which emerged and dominated United State foreign policy during the era of international political instability and uncertainty. The justifications used by policy makers during Truman's presidency were not abandoned, but rather adopted by new policy makers to fit the regional goals of the United States. To understand the Point Four Program, it is necessary to understand how the European Recovery Program came about.

European Recovery Program

The official name the United States gave its foreign aid program was the European Recovery Program (ERP). The ERP is better known as the Marshall Plan, named after Secretary of State George Marshall, who introduced the program during his speech at Harvard University on June 5, 1947.⁶⁶ During his speech, Marshall emphasized the dysfunctional state of the European economy and the responsibility of the United States to assist in its recovery. Marshall viewed United States' assistance as the logical thing to do, saying that the U.S. should do "whatever it is able to do to assist in the return of normal economic health...without which there can be no political stability and no assured peace."⁶⁷ Marshall further emphasized the importance of economic health as a factor for the "emergence of political and social conditions in which free institutions can exist."⁶⁸

Over a three-year period, the United States sent more than 100 billion dollars to Western Europe. To put this in perspective, this is equivalent to \$130 billion US Dollars today. During the years from 1948 to 1952 the U.S. through the Marshall Plan disbursed "\$13 billions... to Western European countries as the Organization for European Cooperation (OEEC)."⁶⁹ The Marshall Plan was administered by an independent agency, the European Cooperation Administration (ECA).⁷⁰ There were countless programs under the ERP, which reflected the bureaucratic nature of aid at the time.⁷¹ Aid to

⁶⁶ The Department of State Bulletin, "European Initiative Essential to Economic Recovery," George C. Marshall, (vol. xvi, no. 415), pages 1159-1160.

⁶⁷ *Ibid.*

⁶⁸ *Ibid.*

⁶⁹ Robert Everett Wood. *From Marshall Plan to Debt Crisis: Foreign Aid and Development Choices in the World Economy* (Los Angeles: University of California Press, 1986), 29.

⁷⁰ *Ibid.*, 30.

⁷¹ In the United States, the President Truman Library has all the documents that concerned the programs and grants given to both Europe and Latin America as part of the Recovery Program.

European States was given as a temporary measure until such states could *reconstruct* a self-sustaining economic system such as they had prior to the war.

Marshall told his audience that it was the logical step for the United States to give aid toward the recovery of Europe at the end of WWII. The United States had other concerns for assisting Europe as well. With the end of WWII, a power vacuum existed: The United States and the Soviet Union both competed for geopolitical dominance, and despite being allies during the war, political and ideological differences caused subsequent conflicts. The tension that sprang up within the international community was commonly referred to as the Cold War because it lacked direct physical fighting between the two sides. U.S. foreign policy focused on the containment of the communist threat, as discussed earlier, through the use of foreign aid. As the Soviet Union's influence began to reach the Middle East, a similar approach needed to be taken to contain it. Having established foreign aid as a political tool (it was already being used in Latin America), the United States considered implementing the Point Four Program in Middle East.

Prelude to Point Four Program

The United States had used soft loans, loans with favorable terms to the borrower, as a technique to promote various goals in the past. Now it adopted them as a policy alternative useful only in the stated goal of inducing economic development in lesser developed countries.⁷² To understand soft loans as a foreign policy technique, it is necessary to note the objective of the United States in promoting economic development

⁷² David Baldwin, *Economic Development and American Foreign Policy* (Chicago: University of Chicago Press, 1966), 3. Scholars studying foreign aid have not been able to agree on a working definition of soft loan.

in lesser developed countries, how that plan was carried out, and the underlying motive in choosing soft loans to promote it. Charles Wolf notes that during the period between 1948 and 1950, “concern for the economic development of lesser developed areas appeared as a final innovation” in United States foreign aid.⁷³ Although the statement has some truth to it, such a statement can be misleading. Prior to 1948, the U.S. showed concern and offered aid to lesser developed countries without using it as a tool for its political foreign policy. The United States foreign policy between 1943 to 1948 showed more interest in the economic growth of poorer countries as related to peace and prosperity. The contention was that, as President F. Roosevelt maintained in his speech to Congress on tariffs, “we know that we cannot succeed in building a peaceful world unless we build an economically healthy world.”⁷⁴ Economic growth meant growth in international trade because higher trade directly results in higher production and consumption.⁷⁵

First, the United States needed economic growth to guarantee employment for Americans at home. With the memory of the Great Depression still fresh, James Byrnes, the Director of War Mobilization, brought the issue to the attention of government officials. He stated, “we must export goods, if we are to provide jobs for all of our workers...but we cannot export goods unless others have dollars to pay.”⁷⁶ The National Advisory Committee (NAC) accepted the concept in 1946 when it stated that “only by

⁷³ Charles Wolf, *Foreign Aid: Theory and Practice in Southern Asia* (Princeton: University Press, 1960), 57.

⁷⁴ Speech of President Franklin D Roosevelt, “Economically Healthy World the Foundation for Peace.” *Vital Speeches of the Day*, vol. xi, 386-388.

⁷⁵ Baldwin, *Economic Dev.*, 15. Economic growth comes through the advantages of international specialization.

⁷⁶ The statement by Byrnes was made in his letter addressed to both the President and Congress in 1945. Lori Lyn Bogle, *The Cold War: Origins of the Cold War, the Great Historical Debate*, 105.

the reestablishment of high levels of production and trade the world over can the United States be assured in future years of a sustained level of exports appropriate to the maintenance of high levels of domestic production and employment.”⁷⁷ With Congress, the President, the Export-Import Bank, and the NAC all stood in agreement that by providing long term funds to promote “sound industry and increase industrial and agricultural production” to developing countries, foreign aid could focus on the necessary techniques needed to pursue these goals.⁷⁸

Second, when choosing a method to promote economic growth, U.S. policy makers faced several useful alternatives, each with a different emphasis. American policy makers eventually relied upon three major techniques to promote economic development in developing states.⁷⁹ The first and most important technique consisted of the premise that economic growth constituted a domestic matter with no outside help necessary: the problem of economic growth had to be solved through local efforts. The second technique concerned enabling and encouraging developing states to acquire external capital from private sources. This method required the liberalization of trade, and the reduction of former trade barriers. This was necessary so that international trade could now permit “foreign nations to earn the foreign exchange needed to import capital goods from the United States” and go through the regular channels of trade, as Baldwin observed.⁸⁰

⁷⁷ Baldwin, *Economic Dev.*, 15.

⁷⁸ *Ibid.*

⁷⁹ *Ibid.*, 24. The debate around the techniques used to promote economic development consisted of more than three options; however, the three techniques mentioned here are the most important and relevant to the purpose of this paper. Other techniques can be found in Baldwin’s chapter on “Prelude to Point Four Program” in his *Economic Development and American Foreign Policy*, 1943, 62.

⁸⁰ *Ibid.*, 17.

By lowering its trade barriers, the U.S. hoped to stimulate private investment and thereby promote economic growth. The U.S. realized that for this strategy to work, the climate of investment needed to be improved. At the time, the climate was unfavorable for private capital, prompting a change in the terms for private investors.⁸¹ Such a change coincided with the need for reconstruction in Europe, by which it became termed the European Recovery Program. The third and least emphasized technique by American policy makers was to provide public capital through American controlled institutions.⁸² Although an examination of why certain techniques were chosen or rejected could be discussed at length, they add nothing to the purposes of this research. Instead, this paper concentrates on the aforementioned techniques, for every technique differed significantly, and the effectiveness of each technique varied as well.

Third, American policy makers used a variety of techniques that produced a number of results, each with different effectiveness. For example, the trade liberalization technique failed to break or lower the barriers of trade. The private investment technique also proved ineffective, failing to improve private investment even though it did, in fact, promote development.⁸³ Speaking broadly, nationalists in developing states opposed private investment and viewed them as coming from meddlesome, unwelcome foreigners.⁸⁴ Thus, the political and economic instability of the international community contributed to the failure of the private investments' ability to grow or succeed. The desired development failed to grow from within a poor country because of the lack of funds. Even when funds became available, the elite who owned the greatest portion of

⁸¹ *Ibid.*, 19.

⁸² *Ibid.*, 24.

⁸³ *Ibid.*, 67.

⁸⁴ *Ibid.*, 70.

capital were not interested in investments within the country because of internal instability.

The ineffectiveness of these techniques required a reevaluation of the approach needed to achieve economic development in developing states. The goal of achieving economic development became tied to the United States foreign policy under the presidency of Truman. During his inauguration in 1949, Truman laid out several points guiding his foreign policy, most notably his fourth point: the creation of a Bold New Program.

A Bold New Program: (Point Four Program)

When taking office, President Truman realized the need to establish a policy to stimulate economic growth at home. Truman therefore introduced a Program aimed at promoting economic development in lesser developed states: The Point Four Program. The Point Four Program, officially known as the Bold New Program, took its name from the fourth point made in reference to foreign policy during President Truman's inaugural speech in 1949. President Truman's speech started a new era in American foreign policy, and used American scientific and industrial advances, as Truman put it, means of "improvement and growth of lesser developed areas."⁸⁵ From a humanitarian point of view, President Truman also recognized that the United States with its industrial and scientific techniques could "afford to use [its techniques and material resources] for assistance of other peoples" with limited resources.⁸⁶ Foreign aid as a foreign policy tool was not established by President Truman. Rather, it was a modified version of an

⁸⁵ "President Truman Inaugural Address," accessed January 3, 2011, http://www.trumanlibrary.org/whistleto/50yr_archive/inagural20jan1949.htm.

⁸⁶ *Ibid.*

American postwar foreign policy, and contained many similar elements. The main concepts of the policy were similar to the postwar period: peace and prosperity.

First, in October of 1949, President Truman pointed out that economic factors were important and necessary for preserving peace. Truman's words, given in an address to the United Nations, said that "We cannot achieve permanent peace and prosperity in the world until the standard of living in lesser developed areas is raised."⁸⁷ Truman led the United States to consider economic development as tied to national security. The concept of economic development as a national security tool was further developed by Secretary Dean Acheson.

Acheson considered the Act for International Development as a security measure which was an "essential arm of our foreign policy...our military and economic security...dependent on the economic security of other peoples."⁸⁸ The national security policy became known as the Containment Policy during the period of 1949-1953, leading up to the Cold War. It was applied both in Europe and in lesser developed states as well. American policy makers became concerned spread of communism. Policy makers should have been aware that material well-being does not necessarily lead to democracy. Even though, and as Acheson stated in his address, a "healthy and prosperous people is far more fertile for the development of democracy than one which is undernourished and unproductive."⁸⁹ With the threat of communism, the United States policy makers also viewed economic development necessary for potentially benefitting the United States in terms of strategic raw materials. This observation became apparent during the Korean

⁸⁷ Baldwin, *Economic Dev.*, 74.

⁸⁸ *Ibid.*

⁸⁹ Dean Acheson, *Waging peace in the Americas*, (Department of State Bulletin, Sept, 26, 1946), 464.

War, when the United States had the advantage over its competition because of the scarcity of resources in Europe, and was able to further its interest through the use and control of raw materials.⁹⁰

Second, when introducing the Point Four Program, President Truman announced that the United States stood to gain from increased trade with developing nations, as Baldwin framed it.⁹¹ Policy makers realized that the fast-paced industrial nations were consuming more and more raw materials. They noted that the demand for these resources would continue to rise. The Paley Commission, which examined the “adequacy of materials, chiefly industrial materials, to meet the needs of the free world in the years ahead” pointed to this fact.⁹² According to the House Ways and Means Committee, the regions to which the United States must look to expand its mineral imports were “Canada, Latin America, and Africa, and the Near East.”⁹³ The committee concluded clearly that if the United States failed to raise the standard of living in rest of the world, it would by that very fact hamper and impedes the standard of living in the United States.

In 1951, the Point Four Program was renamed the Mutual Security Act. The name change came as an effort to alter the perception that foreign aid was a handout. Rather, the Mutual Security Act reflected the need to give aid in exchange for enhanced security

⁹⁰ William Stueck, *The Korean War: An International History* (Wesley Sussex: Princeton University Press, 1995). The Korean War sparked a “drive for rearmament in the West, the Korean War greatly simulated demand for strategic raw materials, which created shortages and fueled inflation. This in turn threatened western Europe’s economic recovery and fostered resentment over America’s advantage in competition for scarce resources.” In other words, the United States

⁹¹ Baldwin, *Economic Dev.*, 75.

⁹² Presidents Materials Policy Commission, *Resources for Freedom* (5 vols; Washington: U.S Government Printing Office, 1952),

⁹³ *Ibid.*

of the U.S.⁹⁴ On January 20, 1953, President Dwight Eisenhower took office. During his two terms, he showed no inclination he would cancel the Point Four Program. Instead, Eisenhower took steps to improve Truman's program. One of his first acts was to rename the Mutual Security Administration the Foreign Operations Administration (FOA), which was eventually replaced by the International Cooperation Administration (ICA). Eisenhower's reorganization of the Point Four Program transferred the technical assistance program from the Department of State to the FOA. When addressing his decision to establish the ICA, President Eisenhower stated that the "security and welfare of the United States are related to the economic and social advancement of all people" in third world countries.⁹⁵

Eisenhower's most important contribution to the Point Four Program came about during his second term of presidency. In 1957, President Eisenhower established an additional aid agency to work with the FOA. The new agency, called the Development Loan Fund (DLF), was to provide large loans to third world countries.⁹⁶ By slowly gaining the public's trust, and more importantly, that of the House's Foreign Affairs Committee, development aid became acceptable as a substantial contributor to American foreign policy in the Third World. The House's Foreign Affairs Committee recognized this by stating that:

"For the first time since the beginning of the foreign assistance program, the committee did not feel it necessary...to question whether...it was worthwhile to authorize the continuation of the program. There is today evidence on every continent

⁹⁴ Herbert S. Parmet, *Eisenhower and The American Crusades* (Brunswick: Transaction Publishers, 1999), 284.

⁹⁵ Samuel Hale Butterfield, *U.S. Development Aid—An Historic First: Achievements and Failures In The Twentieth Century* (Westport: Greenwood Publishing Group, 2004), 39.

⁹⁶ *Ibid.*, 38.

that the mutual security program has begun to give us important foreign policy advantages."⁹⁷

President Eisenhower's contribution to the program proved rather important, and his efforts toward this end gained the support of the various House Committees when he requested aid. The ICA remained active until September of 1961.

In February 1961, one of the United States youngest presidential candidates, John F Kennedy, won the election. The international community was still feeling the effects of the ongoing Cold War, and Kennedy recognized the need for the Policy of Containment through foreign aid to remain in place. Just as Eisenhower felt the need to improve President Truman's original Point Four Program, so did President J.F. Kennedy. On September 4, 1961, Congress passed the Foreign Assistance Act (FAA), which was approved and signed by President Kennedy. The FAA was another endeavor to reorganize the process of foreign aid assistance. The FAA mandated the creation of an agency which would oversee all economic assistance programs instead of the Department of State. Consequently, President Kennedy, on November 3, 1961 established the United States Agency for International Development (USAID). President Kennedy was able to transform the security concerns of the 1950s into greater support for economic development assistance by gaining support for aid during his last year as a Senator and his first year as President.

The assassination of John F. Kennedy proved a historical disaster because of its abrupt nature, and timing. President Kennedy was active in setting the stage for many developments here in the United States, and on the international arena.⁹⁸ However, prior

⁹⁷ *Ibid.*, 39.

⁹⁸ President Kennedy had diligently worked on stabilizing relations with the Soviet Union, particularly after the resolution of the Cuban Missile Crisis in 1962. President Kennedy was able,

to this unfortunate event in 1963, President Kennedy had made critical contributions to the reform of United States foreign aid. On November 8, 1960, President Kennedy recognized a need for a new approach in foreign assistance to meet the challenges of the 1960s. President Kennedy was aware that previous United States aid programs were created as a response to the immediate threat of the communist movement. Moreover, President Kennedy recognized the shortcomings of the previous programs, which necessitated a reorganization of United States foreign aid and a reshuffling of the responsibilities of the various foreign aid agencies. Setting a timetable for his administration, the changes in the United States foreign aid programs began to take effect as early as March 1, 1961. The main contribution of President Kennedy's administration was the merging of the two main United States foreign aid agencies into one new agency, the United States Agency for International Development (USAID).⁹⁹

through diplomatic channels, communicate with Soviet Premier Khrushchev and remove the missiles in exchange for the ICBM's being removed from Turkey. This was a major Cold War turning point.

⁹⁹ US Department of State, *An Action Program for a New Approach in Foreign Assistance for the 1960s*. International Agency for International Development. November 8, 1960.

Chapter Six: Foreign Aid in Jordan

Why Jordan?

Jordan is the case study of this paper. At first thought, Jordan a small country, with no resources, would not benefit U.S. interests. To better assess the outcome of aid in Jordan, then, it is necessary to understand the objectives the U.S. had in Jordan prompting the U.S. to give aid, and also the safeguards the U.S. took before investing money into this lesser developed country. There are many countries that could receive aid, but why Jordan is answered in this chapter. This chapter summaries the conditions that had to be met by Jordan, a country recently formed, in order to receive aid, and what steps Jordan took to promote itself as a good candidate as well. To a certain extent, it provides a justification to why Jordan was a good candidate to receive aid, aside from its proximity to Israel. Further, this chapter sets the foundation to why some programs by the PFP and later USAID worked, and other did not. It outlines some of the political, social, agricultural, and other factors in Jordan, as well as the regional political atmosphere that assisted the effectiveness of aid, or vice versa.

Historical overview:

Prior to 1950, Britain was the sole country aiding Jordan.¹⁰⁰ By the mid 1920s, British aid to Jordan reached £100,000 annually, £2 million by the mid 1940s, and £12.5 million by 1957.¹⁰¹ Even though this paper is focused on United States foreign aid to Jordan, it is necessary to be cognizant that foreign aid to Jordan was not unique. The foreign aid

¹⁰⁰ Rodney Wilson, *Politics and the economy in Jordan* (New York: Routledge, 1991); Charles Wol, *Foreign Aid: Theory and Practice in Southern Asia* (Princeton: Princeton University Press, 1960).

¹⁰¹ Avi Shlaim and Yezid Sayigh, *The Cold War and the Middle East* (New York: Oxford University Press, 1997).

given to Jordan by the British was money given to a colony, specifically allocated for programs and issues chosen by the British. It was mainly used for military purposes, serving the military objectives of Great Britain in the time period prior to the outbreak of WWII.

Mission to the Middle East

Thus far, the creation of the Point Four Program has been discussed, along with the chronology of the program under the different presidents, and in the present form called the USAID. Initially applied to Latin America, the Point Four Program served as a period of trial and error in the development of foreign aid. The Point Four Program announced by President Truman in 1949 was enabled in June of 1950. It was not until October 30, 1951 that the program began to consider the Middle East as a recipient. That October, Congress appropriated a substantial sum of foreign aid for the Middle East under the Mutual Security Act of 1951.¹⁰² At the end of October 1951, the Technical Cooperation Administration (TCA) found itself with approximately a 150-billion-dollar surplus. In addition to this surplus, and as discussed previously, the United States allocated a foreign aid fund to the Middle East, and Jordan particularly, as a sign of its support for its British ally.

Unlike the prior program implemented in Latin America, the Point Four Program started from scratch in the Middle East. Prior to 1951, a few technicians were sent to the region.¹⁰³ After the necessary data was collected, the TCA assigned directors and hired supporting technicians to launch the programs to be implanted in each country. The

¹⁰² Jonathan B. Bingham. *Shirt-sleeve Diplomacy: Point 4 in Action* (New York: John Day, 1954), 24.

¹⁰³ *Ibid.*, 26. Negotiation teams were sent to some Middle East countries as well as India and Pakistan.

country directors were then faced with the assignment of identifying the basic problems of that specific lesser developed state, and prioritizing which issues to tackle first.¹⁰⁴

It should be recognized that the Point Four Program initiation in the Middle East was not simply a consequence of a surplus of funds, as the TCA needed a justification for spending funds in the Middle East. It found that justification when it decided that the Middle East played a critical role in the security of the “free world.”¹⁰⁵ The United States and the TCA understood that the Arab world, with a predominantly Muslim population, would be hostile to the concepts of communism. Nevertheless, this religious barrier would not be enough to “prevent them from turning to the communist bloc” once they realized they would not be fairly treated by the West. The communist bloc recognized the anti-Jewish sentiment of the Arabs and attempted to use that to claim Arabs as “natural allies,” requiring minimal convincing to be allied with the communist cause.¹⁰⁶ Moreover, the United States was firm in its support for the state of Israel. There could have been severe consequences for the struggle between Israel and the Soviet Union had the United States not acted immediately. Foreign aid to the Middle East demonstrated the United States impartiality towards the Arabs by assisting them in carrying out developmental projects.

Of all the states receiving aid from the United States, Jordan had unique characteristics that were of special interest to the United States. Jordan’s geographic proximity to Israel, for example, made an aid program crucial in Jordan. With Israel an important ally for the United States, securing its borders also concerned the United

¹⁰⁴ *Ibid.*, 28.

¹⁰⁵ *Ibid.*, 183.

¹⁰⁶ *Ibid.*

States. By financially supporting Jordan after the British ceased aiding them, the United States hoped such aid would guarantee Jordan's peaceful attitude towards Israel, at least for a period of time.¹⁰⁷ United States aid to Jordan began with an agreement beginning in January of 1952.¹⁰⁸ The agreement became known as the "Jordan Program Agreement" (henceforth referred to as the Agreement) and would remain in force until June 30, 1957.¹⁰⁹ The Agreement came after the government of Jordan requested a "program of technical cooperation in water resource development, agricultural development, education, health and sanitation, industrial and general development, highway maintenance, and government services" from the United States, as outlined in the agreement between the U.S. and Jordan, in the primitive stages of the Program.¹¹⁰ The Agreement divided the objectives into three points: The first objective was concerned with ways to "promote and strengthen understanding and good will" between the United States and Jordan, and how to "further secure growth of democratic ways of life."¹¹¹ The second objective was to "facilitate economic development in Jordan through cooperative action on the part of the two governments."¹¹² The third objective of the Agreement was

¹⁰⁷ Tore Petersen, *Challenging Retrenchment: The United States, Great Britain and the Middle East 1950-1980* (Trondheim: Tapir Academic Press, 2010). In joining its Arab neighbors in 1967, Jordan assisted in an unsuccessful attack against Israel. British financial support continued in Jordan until 1957. The support mentioned above refers to military support when Glubb Pasha was asked to leave Jordan. The reasoning behind this expulsion was growing pressures on the King to have an Arab-led army.

¹⁰⁸ The agreement between Jordan and the United States was originally made on February 27, 1951, under the title of "General Agreement for Technical Cooperation" and was pursued and amended in 1952.

¹⁰⁹ *Point 4 Project Agreement with Jordan*, U.S. Foreign Assistance Agencies Records, Department of State for the Press, RG 469, no. 120, (Washington, DC, 1948-1961). The duration of the agreement was to remain until the end of June of 1957, unless either party gave a three months' notice for the agreement's termination. Moreover, the agreement was open for renewal subject to the availability of appropriations.

¹¹⁰ *Ibid.*

¹¹¹ *Ibid.*

¹¹² *Ibid.*

to “stimulate and increase the interchange of knowledge, skills, and techniques” in the fields listed previously (water, education, agriculture, etc.).¹¹³

The Agreement was very detailed and precise. What was expected of Jordan, and more specifically from the individual ministries within the government, was clearly stated. The main objective was to create the necessary organization, committees, and liaisons to represent Jordan, and to carry out projects under the financial consent of the Director of Technical Cooperation Service for Jordan. In return, the United States would send representatives on its behalf who were experienced in the various fields and would help the committees to carry out their mission and projects. The United States included open articles which would oblige the Jordanian government to “facilitate the importation of American goods and commodities,”¹¹⁴ thus simultaneously benefitting the U.S. Under this Agreement, the United States Director was to have the same “rights and privileges authorized to the Minister of Economy in regard to the drawing of the Realm’s economic policy” and appointing officials who were sympathetic to the American policy and goals.¹¹⁵

Favorable Conditions to Receive Aid

In determining which states should receive aid, the United States took several factors into consideration. The United States determined aid partly by choosing a state that least opposed U.S. objectives. These factors served only as a guideline; not all requirements needed to be met for a state to receive aid. A recipient state only needed to prove it was

¹¹³ *Ibid.*

¹¹⁴ *Ibid.*

¹¹⁵ *Ibid.*

working toward achieving these conditions for it to satisfactorily meet the obligations necessary.

A recipient state, based on the terms of the Agreement, had to have a “reliable, stable and reasonably efficient system of government,” which also included a team of trained and experienced public servants. With the independence of Jordan, the King faced a vital question which would determine the fate of his nation: what type of government would rule the kingdom? He answered that question with the announcement of Jordan’s constitution in 1952, declaring Jordan a hereditary constitutional monarchy with a parliamentary form of government, where the people were defined as the “source of all powers.”¹¹⁶ The people as stated in the constitution were officially part of the Arab nation, where Islam was the official religion and Arabic was the official language.¹¹⁷ The constitution guaranteed that there would be no discrimination on account of race, religion, or language among Jordanians, and provided for equal work and educational rights.¹¹⁸ The constitution further provided for personal freedom, freedom of press, and freedom for establishing schools.¹¹⁹ Legislative power was vested in the National Assembly which consists of two houses: the Senate and the House of Representatives.¹²⁰ Laws created by the two houses had to be approved by the King, who was also responsible for declaring war, concluding peace, and signing treaties. The vital points that made up the Jordanian constitution directly portrayed the King’s commitment to the

¹¹⁶ A complete copy of the Constitution can be found at:
http://www.kinghussein.gov.jo/constitution_jo.html

¹¹⁷ *Ibid.*

¹¹⁸ Sinai, *Hashemite Kingdom*, 71.

¹¹⁹ *Ibid.* Schools are to be established freely provided that they follow a recognized curriculum and educational policy.

¹²⁰ *Ibid.* The Senate consisted of 30 members nominated by the King, and the House of Representatives consisted of 60 elected members.

ideologies of democracy, the concepts of freedom, and a desire to belong to the free world. By establishing and distributing power among the various governmental agencies, stability was created for the kingdom. The various governmental agencies also clearly outlined the King's desire to allot various powers to multiple groups.

For a long time, Jordan's political situation was anything but stable. From the beginning, the King of Jordan had witnessed waves of opposition, some stemming from locals, but mostly from outside forces, primarily, the Palestinian Liberalization Organization (PLO). Nonetheless, Jordan had undergone one of the most significant experiments of political liberalization in the Arab World.¹²¹ The ultimate power resided with the king and his appointed officials. When King Hussein passed away in 1999, his reign had been marked by many crises like assassination attempts, and the consequences of the Arab Israeli War in 1967. The most serious threat to King Hussein's rule came with the civil war with the PLO guerrillas in 1970 and 1971. Since the late 1980s, changes had taken place that developed the political setting in Jordan. In 1989, political parties were licensed, facilitating free and regular parliamentary elections, the election of the Chamber of Deputies, and a free press. This demonstrated the King and the government's ability to maintain a stable political system in a region filled with great instability. Such dedication shows this country's desire for democracy and freedom, a trait valued by the United States in a recipient state.

The instability of the Middle East region caused by Arab Nationalists in Jordan and in surrounding states were yet another factor that the King had to take into consideration, as it also threatened the monarchy and the stability of Jordan itself. During the early 1950s,

¹²¹ Malik Mufti, "Elite Bargains and the Onset of Political Liberalization in Jordan." *Comparative Political Studies* 32, no. 1 (1999), 100.

the rising support for Arab Nationalism, specifically Arab Nationalism as advocated by Gamal Abdel Nasser, then President of Egypt, became a major concern for King Hussein. The concept posed a very real threat because it called for the unification of the Arab World as a strong political entity.

Another and even more dangerous threat to liberalization was the possibility of a resurgence of communal strife. The Jordanian nationalists resented the periodic migration of Palestinians, and feared that they, as Jordanians, would become marginalized in their own country by Palestinians because they dominated the private sector.¹²² The threat of communal violence was at its peak at the beginning of Jordan's liberalization. Communal violence throughout the 1990s could have derailed the political transition, and in turn forced the monarchy to "reassert authority in the name of security—or even more ominously—by provoking a military putsch that would transform it into an 'oligarchic monarchy' dominated by East Bank nationalist."¹²³

By 1997, the process of liberalization was well on its way. However, the critical element inhered upon political skill. The regime in 1997 ratified a series of restrictive amendments to the press and publication law, completely disregarding the objections of the regimes moderates.¹²⁴ Moderate political leaders such as Ishaq Farhan, and Abdallah Akayleh boycotted the November 4, 1997 elections, along with other political leaders.¹²⁵ The election boycotts posed a serious setback for the transitional process. Regardless of these concerns, political reformers in Jordan still held out hope for a positive future. Democratic norms in Jordan appeared to be "acquiring hegemonic status" in the

¹²² *Ibid.*, 124.

¹²³ *Ibid.*

¹²⁴ *Ibid.*

¹²⁵ *Ibid.*, 125.

country's political discourse.¹²⁶ For example, all of Jordan's twenty political parties licensed in 1993 confirmed a commitment to democracies in their formal platforms. In addition to their commitment to democracy, sixteen of the twenty parties espoused values of pluralism, human rights, and freedom of opinion.¹²⁷ The most noticeable example was the Islamist Party calling for the legalization of the Communist Party of Jordan. Another example of this manifestation was the High Court of Justice. It declared the amended press and publications law unconstitutional and nullified it on January 26, 1998.¹²⁸

Education:

Another condition necessary was the existence of a trained force of managerial personnel. To produce trained personal, the government of Jordan dedicated itself to improving the educational system from kindergarten schools to post graduate schools. This improvement started even before Jordan's independence, with the rise of the Emirate of Transjordan in 1921, as evidenced by the building of 73 schools throughout the Emirate.¹²⁹ The public educational system of Transjordan was administered by the Ministry of Education, which oversaw all of the educational affairs: direction, supervision, and the inspection of both public and private schools.¹³⁰ Over the decades, Jordan had developed its educational system as a means of improving its citizens.¹³¹

Today, there are 2,787 government schools, 1,493 private schools, 48 community

¹²⁶ *Ibid.*

¹²⁷ *Ibid.*

¹²⁸ *Ibid.*, 126.

¹²⁹ *Arab Information Center* (U.S.) "Education in the Arab States." (New York: Arab Information Center, 1966), 299.

¹³⁰ *Ibid.*

¹³¹ The Hashemite Kingdom of Jordan, *Education in Jordan: A Commitment to Excellence*. <http://www.kinghussein.gov.jo/resources3.html>. (accessed Jan. 2, 2011).

colleges and 19 universities.¹³² The rapid increase in the number of schools in the past few decades was a result of government policy which provided each community with at least 10 schools.¹³³ This improvement resulted in rising literacy rates throughout the years: The literacy rate in 1960 was only 33 percent (of Jordanians over the age of 15), and climbed to a remarkable 85.4 percent in 1996.¹³⁴ Jordan's increased educational facilities indicated its commitment to producing professional and working classes. In this endeavor, Jordan supported its desire for economic development, and consequently met the condition for receiving aid.

Economic Reform:

The recipient state should have a genuine desire for economic development, or be in the process of economic reform. Its neighboring rich oil countries had long labeled Jordan as a "poor country" because its population was small and its natural resources were scarce.¹³⁵ Yet, as far back as the early 1950s, the young King Hussein recognized the need for economic reform in Jordan and carried out several projects to bring it about. The Jordanian budget always had some discrepancies between the amount of its income and its expenditures, causing budget deficits.¹³⁶ The state itself had several economic crises, some with positive and others with negative results, which sparked economic reform and development in Jordan. The need for economic reform came mainly because

¹³² *Ibid.*

¹³³ *Ibid.*

¹³⁴ World Bank, "Literacy Rates in Jordan," <http://www.data.worldbank.org/indicator/SE.ADT.LITR.ZS/countries>. In a 2009 report by the World Bank, Jordan illiteracy rate stood at 8.9 percent, making it the third lowest illiteracy rate in the Arab World.

¹³⁵ Washington, DC: U.S Government Printing Office, 1989, *Jordan: A Country Study*, 1989, 127.

¹³⁶ *Ibid.*, 141.

of the economic and financial crisis that peaked in the beginning of the 1990s.¹³⁷ The main objective of these reform policies was to achieve total “economic stability, rectifying structural activities and financial imbalances,” as the Ministry of Planning and International Cooperation framed it.¹³⁸ These reforms led to macroeconomic policies to manage the “overall economy, through gradually decreasing the financial deficit and applying a wide range system of structural reforms.”¹³⁹

As part of the growing concern for economic development, the beneficiaries included laborers in factories and fields, skilled and unskilled workers, and farmers and the people of the state who shared the benefits. The Jordanian government and the King made these concerns clear on several occasions. In addition, the state would commit to using the aid for developmental purposes and not spend it on importing luxury goods. As will be discussed in the following chapter, Jordan requested assistance for developmental issues, that is, for issues involving water, agriculture, trade, governance and so on.

Equitable Tax:

The state had to formulate a system of equitable tax and adopt land reforms, or be involved in the process of land reform. Shortly after Jordan’s independence, the King with the assistance of the government, created an equitable tax system and implemented land reforms. The details of these policies will not be discussed in greater detail because they are irrelevant to this thesis. It will only be mentioned that Jordan established a tax program when it created the Ministry of Finance in 1921. The United States considered

¹³⁷ The Ministry of Planning and International Cooperation, “Bilateral Agreements: United States,” http://www.mop.gov.jo/pages.php?menu_id=294&local_type=0&local-id=0&local_details=0&local_details1=0 (accessed March 10, 2011).

¹³⁸ *Ibid.*

¹³⁹ *Ibid.*

this an important factor when signing the agreement with Jordan, because it demonstrated Jordan's desire for economic development. This proved important because part of the agreement required Jordan to share parts of the expenditures for developmental programs implemented through the Point Four Program and then USAID.

Chapter Seven:

Impact and Results of United States Foreign Aid Programs in Jordan

The United Kingdom gradually reduced aid given to Jordan since granting Jordan its independence in 1946. In 1966, 45% of the aid received by Jordan was from the United States.¹⁴⁰ Foreign aid being received by Jordan was being used as the main "source of finance for the government deficit."¹⁴¹ The government of Jordan used foreign aid for its consumption and for investment.¹⁴²

Foreign aid comes in two forms: foreign aid grants, and foreign aid loans. Further, to truly capture the effectiveness of aid, it must be compared to the goals and objectives of aid to Jordan. Of note, to keep in mind in reading this chapter, is that while U.S. foreign aid didn't cause a detriment to the Jordanian economy or development, it did not or could not remedy the failure in Jordan's economy. On the other hand, many of the programs, over time, led to the enhancements in the economy, and the general well-being of the country.

In Jordan, those goals were growth in real GDP, infrastructure, education, and health. For the most part, Jordan met many of its goals. These accomplishments are the long-term benefits of aid in Jordan: high literacy rates, better access to education, health,

¹⁴⁰ Saket, B. *Foreign Aid to Jordan (1924/25-1972/73), its magnitude, composition and effect*. PHD Thesis. University of Keele, England. (1976).

¹⁴¹ Wilson, R., p. 59.

¹⁴² *Ibid*; p. 59.

reproductive health, the building of government agencies, better infrastructure, promotion of democracy, increase in women rights and rights generally, political freedoms, etc. Nonetheless, aid in Jordan negatively impacted the economy in terms of increased deficit, a reduction in GDP for the most of 1980's, and high level of employment.¹⁴³ The question remains; however, how did foreign aid impact the economic growth in Jordan overall, what did USAID program accomplish in Jordan, and what are the unintended consequences of aid?

Contrary to initial observations while researching, foreign aid in Jordan had a significant positive impact on economic growth. Nonetheless, some policies implemented had unintended yet negative consequences. This chapter, then, is divided into three sections: milestones, accomplishments and programs established, the impact of foreign aid on economic growth, and finally, some examples of unintended consequences of foreign aid policies and programs in Jordan.

Impact of Foreign Aid in Jordan: milestones, accomplishments, and programs established

The positive impact of foreign aid in Jordan can be summarized through the milestones of USAID. Over a period of approximately 50 years, USAID established and implemented many programs to the benefit of Jordan.

In 1952, construction of forty maternal child health centers commenced throughout Jordan, sanitary inspection services were established in all districts in Jordan, the first Tuberculosis Sanitarium in Amman was built, programs to eradicate malaria were implemented and carried out, construction began on the *East Ghor Canal*, hotel improvement loans were given out, educational programs to Jordanians to study in the

¹⁴³ Unemployment reached a 17.1% in 1990.

U.S., and a consensus was conducted by the assistance of USAID.¹⁴⁴ In 1953, agricultural programs were put in place, teacher training colleges and vocational schools were constructed, and aerial mapping of Jordan took place.¹⁴⁵ In 1954, USAID intensified irrigation projects in Jordan. Between 1953 and 1956, USAID funded the construction of Amman's first comprehensive public health facility, *Ashrafiyeh* Medical Complex, open to patients. In 1957, a nursing school built by USAID graduated its first class of nurses, and USAID set up the Public Administration Organization and provided training for government of Jordan officials. In 1958, USAID contributed to lessen the cost of repairing engines within Jordan for the *Hejaz-Jordan* Railway.¹⁴⁶

By 1966, USAID turned its focus on organizing a master plan for national parks within Jordan. After Jordan's civil war erupted in 1970, USAID assisted Jordan in rehabilitating the Jordan Valley, and health centers were built throughout.

In 1971, USAID shifted its focus and channeled funds to support the Ministry of Health's expansion of management, and educational capabilities. In 1973, USAID supported Jordan only natural resource, Potash, and the Potash industry.¹⁴⁷ In 1974, USAID, in concert with its focus on agriculture, established the Faculty of Agriculture at the University of Jordan, and provided training for its staff.¹⁴⁸ In 1981, USAID funds an Arabic language handbook on primary health care used to train over 1000 medical staff, assisted in marketing messages about birth spacing, and family planning.¹⁴⁹

¹⁴⁴USAID, JORDAN: *From 1920 To The 21st Century: Decisive Dates For The Hashemite Kingdom Of Jordan And Its Partnership With USAID.*

¹⁴⁵ *Ibid.*

¹⁴⁶ *Ibid.*

¹⁴⁷ *Ibid.*

¹⁴⁸ *Ibid.*

¹⁴⁹ *Ibid.*

By 1986, the USAID, with the government of Jordan, shifted its economic strategy plan from large capital intensive public construction projects to a plan which encouraged private sector to become more involved in national development.¹⁵⁰ USAID spent over 1.7 billion dollars on more than 400 projects to expand Jordan's economic base.¹⁵¹ In 1989, USAID funded (via grant) the first Occupational Therapy college, Farah Rehabilitation Unit of the King Hussein Medical Center, in Amman, and built a three-story vocational rehabilitation facility for handicapped youth.¹⁵²

In 1990, and throughout most of the 1990's, USAID continued to fund health facilities, and programs for birth-spacing, immunizations, and other health related issues.¹⁵³ In 1998, USAID assisted Jordan in joining the World Trade Organization, and programs for youths of Jordan were implemented.¹⁵⁴

These are significant milestones accomplished by USAID and the government in Jordan. They are broad in nature, and do not take into consideration whether the program itself was successful or not. They do however showcase the commitment USAID had in assisting Jordan since the creation of the program in 1948. The following section outlines the impact of foreign aid in Jordan, and relies on the second gap of the two-gap model of the Harrod-Domar Growth Model.¹⁵⁵

Impact of foreign aid on the Jordanian Economy, and the trade deficit:

Jordan's population was growing, its resources continued to be scarce, and the influx of refugees meant more responsibility Jordan's economy simply could not absorb. A

¹⁵⁰ *Ibid.*

¹⁵¹ *Ibid.*

¹⁵² *Ibid.*

¹⁵³ *Ibid.*

¹⁵⁴ *Ibid.*

¹⁵⁵ Discussed on page 7.

combination of these factors compounded Jordan's need for foreign aid to sustain its population, and attempt to grow its economy.

With its growing population, scarce resources, and growing demand on consumption, Jordan relied on imports to sustain itself. Khalil Hammad, who studied the impact of foreign aid on Jordan from 1959- 1983, explained the role played by foreign aid in Jordan through import and export (balance of payments).¹⁵⁶ This falls within the two-gap model, as it observes the deficit created by the difference in payments (imports and exports), and the reliance on foreign aid to close or lessen that gap. In 1983, there was a deficit caused by a "chronic trade deficit that dates to the early 1950's" and it continued to steadily grow.¹⁵⁷ A deficit occurs when there is a surplus of imports compared to the export. Import surplus is partly paid for by the export. However, the exports in Jordan were not nearly enough to cover the surplus in imports, which could have caused a major problem for the economy in Jordan.¹⁵⁸ Transfer of payments from other sources financed the capital inflow, and thus aiding the balance of payments, and allowed Jordan to pay for imports that were not covered by the exports.

There are three sources, in understanding the balance of payments, that assisted in lessening the gap in Jordan: U.S. foreign aid, aid from Arab countries, and others.¹⁵⁹ These loans and grants that composed all sources of foreign aid were used to lessen the gap between imports and exports, or the balance of payments, affecting the economy of Jordan. The net transfer payments accommodated the trade deficit. Between 1959 and

¹⁵⁶ Khader, B. and Badran, A., *The Economic Development of Jordan*, Mission from the world Bank, headed by Dr. Pieter Liefstinck. *The Role of Foreign Aid in the Jordan Economy, 1959-1983* Khalil Hammad.

¹⁵⁷ *Ibid* at 32.

¹⁵⁸ *Ibid* at 33.

¹⁵⁹ *Ibid*; United Nations aid, and aid from other resources.

1983, the transfer payments (from foreign aid) turned the deficit into surplus a total of 12 years, and the other eight years, the deficit was small and manageable.¹⁶⁰ In other words, foreign aid in Jordan had a positive impact on the economy. It offset Jordan's gap, and assisted in an overall balance of payments in its economy. Further, foreign aid has assisted Jordan in meeting its financial obligations, and maintaining a stable value for its dinar in the exchange markets.¹⁶¹ This was the overall impact of foreign aid, and the following discussion focuses on US provided foreign aid and the implications.

Between 1949 and 1952, Jordan received \$5.2 million grants in economic aid (under the Marshall Plan) by USAID and its predecessor programs.¹⁶² Between 1953 and 1961, a total of 275.6 million, and \$1185.8 million between 1962 and 1983.¹⁶³ The largest component of US aid to Jordan is economic assistance.¹⁶⁴ Total aid from 1946 to 1983 amounted to \$2195.6 million (less repayments and interest).¹⁶⁵

Hammad notes that US interest in extending aid to Jordan economically stems from the geographic location, Jordan's resources, and its markets.¹⁶⁶ He notes that the primary objective, as discussed throughout, was to assist the continued development of a "moderate, western-oriented state that is socially and politically stable."¹⁶⁷ Aid to Jordan was in two form: grants and loans, and were for either economic or military assistance, in conformity with the U.S. primary objective.

¹⁶⁰ *Ibid* at 34. See Table 4, Appendix B- Import Surplus and Foreign Aid Compared.

¹⁶¹ *Ibid* at 37.

¹⁶² *Ibid*.

¹⁶³ *Ibid*.

¹⁶⁴ *Ibid*. Table 3, Appendix B, US Total Economic and Military Assistance to Jordan.

¹⁶⁵ *Ibid* at 38.

¹⁶⁶ Khader, B., p. 39.

¹⁶⁷ *Ibid*.

Since 1948, much of U.S. foreign aid to Jordan has been in the form of grants. These grants were intended to support the government of Jordan to sustain its budget. By 1983, the amount of grants (gifts) given to Jordan amounted to \$11391.1 million, nearly 80% of aid given to Jordan in economic assistance whereas total economic assistance (less repayment and interest) amounted to \$1417.1 million.¹⁶⁸ For Jordan, this meant that they could continue their economic growth without added loans.

In the late 1990's, Jordan's current account deficit continued to decline. Between 1996 and 1999, the deficit turned into a surplus. This again was the benefit of foreign aid to Jordan, although not strictly attributed to US foreign aid, but rather, US foreign aid, United Nations aid, and other sources.¹⁶⁹

Thus, following the two-gap model, U.S. foreign aid in Jordan accomplished a sustainable economic system, as it lessened the gap, and kept the debt manageable, for the most part of the 1946-1999. There were other factors that affected the growth of the economy in Jordan, that were outside of the control of either the United States, or Jordan. However, these factors would require an extensive analysis that would digress the focus of this research.¹⁷⁰

This finding is in concert with what Carol Lancaster argues. Foreign aid assisted economic progress by easing financial constraints on poor countries through stabilizing their economies and stimulating economic growth. it also assisted in development by

¹⁶⁸ *Ibid* 40. Interest and less repayment for the same time period were \$51.1 million.

¹⁶⁹ Kanaan, T., and Kardoosh, M. (2002); *The story of Economic Growth in Jordan: 1950-2000*; Amman, Jordan; last accessed May 21, 2017, at http://www.erf.org.eg/html/grp/GRP_Sept03/Jordan-develop.pdf.

¹⁷⁰ There are many other factors that influenced economic growth in Jordan specifically, and the region in general. Some of these significant factors are: trade sanctions on Iraq put in place in the 1990's as a result of the attack on Kuwait; Jordan's peace treaty with Israel in 1994; Privatization; reform programs that deferred payment on loans; *Ibid*.

filling budgetary needs and balancing the payment gaps of recipient states, as well as financing technical assistance, infrastructure projects and the expansion of public services and health.¹⁷¹

Overall, Jordan did benefit from aid. There are some setbacks that have resulted from foreign aid. At times, benefits came at the expense of the Jordanian people, or groups within Jordan. In the following sections, some examples of how aid was to the disadvantage of Jordan, and more specifically focus on the micro level rather than macro level (nationwide).

Unintended consequences of Aid:

To frame this section, a brief discussion of the concept of a sovereignty is necessary. In its simplest form, the concept of sovereignty is the idea that a government is free from external control. Additionally, of relevance, is the concept of self-interest of a state, or what's commonly referred to as national interest (*raison d'état*). A state should act in its best interest above all, and in the interest of its nation. Theoretically, this means taking actions that benefit the citizens, and make decisions that protect or promote the interest of the nation as a whole. These two concepts frame the discussion below, and are considered when discussing the unintended consequences of some policies implemented by USAID.

In many instances, and in concert with its declared intent of the PFP and USAID, the U.S. acted in a manner to advance its political and economic interests, and Jordan obliged because of its dependence on aid to sustain itself and its economy. The Program's intent was clear. Based on the Mission to Jordan, Civil Record 469, the foreign aid assistance to Jordan would have

¹⁷¹ Lancaster, *Foreign Aid*, 14.

“quick economic results and the realization of the U.S. government efforts and interests in a practical way...with a discernable improvement in the Jordanian economic situation in such a way as to have a tangible effect in the political field.”¹⁷²

The programs implemented in some instances were to the benefit of the United States, whether political or economic, rather than to Jordan. This of course, supports the notion presented in chapter one, that foreign aid was used as a tool of foreign policy. To reaffirm, this is an expected outcome of Jordan accepting aid, and in many instances, decisions were made based on compromise rather than overall national interest. This section then, showcases a different view of foreign aid, primarily, from the receipt states' perspective. Moreover, this section does not push for the termination of USAID programs in Jordan, or other developing countries. Rather, it is simply intended to point out some of the Jordan specific drawbacks of some programs and policies implemented through USAID. These issues were selected based on a report by the USAID itself, and are merely examples, and do not represent a complete evaluation of unintended consequences.

In 2001, the USAID office published a report on the successes of the Program and foreign aid in Jordan in 1999.¹⁷³ This report, the USAID-Jordan, 2001 Results Review and Resource Request Report outlined the intent of the program, and evaluated the success of the program, using several factors. The factors were agriculture, water, health and population, and economic growth and opportunities. The USAID stated in this report that these factors “directly address key impediments to Jordan’s long-term, sustainable

¹⁷² National Archives and Records Administration II: Civilian Records: Register 469, *Mission to Jordan*, (Washington, DC, 1954).

¹⁷³ USAID –Jordan: 2001 Results Review and Resource Request Report; Report can be found at: http://pdf.usaid.gov/pdf_docs/Pdabr105.pdf.

economic growth,” and as such some of these issued are used as a point of reference below.

Agriculture:

At the time of Jordan’s independence, agriculture contributed nearly 40% of the Gross National Product.¹⁷⁴ A combination of natural causes and political incidents, as discussed infra, agriculture no longer significantly contributed to Jordan’s economic growth, or self-sustainability. In 1967 agriculture contribution dropped to 17%.¹⁷⁵ In the 1980’s the contribution dropped to a 6%, and by 1999, the contribution dropped to a 2.382%.¹⁷⁶ Much of the decline was due to natural causes, war, resources, and the such. On the other hand, there were programs put forward by USAID to assist farmers, and there had unintended consequences effecting the local farmers.

In 1955, the agricultural community of Jordan was hit by a severe drought. This disaster caused the Minister of Economy, Finance and Interior to request a meeting between Jordan officials and an American official, Edward Dudley. The Minister discussed Jordan’s problem and sought possible solutions for the issue the farmers were facing. During the meeting, the Jordanian ministers voiced their concern for the growing discontent and panic among the Jordanian farmers, who were protesting and demanding loans. The Jordanian ministers sought financial aid, asking for 60,000 Jordanian Dinars from the United States to deal with the situation.

¹⁷⁴ Helen Chapin Metz, ed. *Jordan: A Country Study*. Washington: GPO for the Library of Congress, 1989.

¹⁷⁵ *Ibid*;

¹⁷⁶ Appendix B, Table 2: Table of Agricultural contribution to Gross National Product in Jordan from 1965-1999.

The meetings led to a financial aid agreement between the United States and Jordan. The moneys requested were allocated to the Jordanian government to loan to the local farmers. The money allocated, however, was placed in an American bank, the National Bank of New York, and to be distributed to the farmers through the Arab Bank Ltd. It is necessary to consider the intent of the program is to advance Jordan, but particularly, advance U.S. interests. However, this incident highlights just one example of unintended consequences of aid in Jordan as related to agriculture.

Failures in communication systems between the banks (NY Bank, and the Arab Bank) and the farmers resulted in more damage to the farmers than benefit. Many of the farmers hit in the 1955 drought were forced to take out loans. The loan amounts ranged between 30 Jordanian Dinars, and 3,500 JD's. Both banks imposed high interest rates on the loans, making it nearly impossible for farmers to repay the loans, with penalties imposed, and ultimately harming the farmers more than aiding them in recovering from the drought. Another consequence resulted from the terms imposed on the loans that were unfavorable to the farmers. The consequence, whether intended or not intended, was that hindrance of local markets, and the local agricultural suppliers.¹⁷⁷

The loans given out to the farmers had restrictions. They had to be used in specific markets. For example, the U.S. required that all seeds for wheat and other primary grains must be purchased from a U.S. supplier. This favored US interest, unsurprisingly, but had adverse effects on the local markets. Local seed sellers (of wheat and other grains) became a secondary source of grains, because farmer who took loans out were obligated to go through American seed suppliers. Inadvertently, Jordanian suppliers of wheat were

¹⁷⁷ Of note, is the amount of aid United States gave to Jordan for agriculture. Again, the point of this section is to point out some of the downfalls, and not take away from the overall benefit.

impacted. When Jordan was suffering from this drought, the United States handed out its last-year surplus of wheat to assist Jordan with the food shortage. The wheat provided by the United States saturated the markets to an extent that local suppliers were not able to sell their wheat product. Farmers who had wheat stored in houses, farms, and containers were not able to sell what was being given out for free. Of course, the intent was to assist the Jordanian's with the draught and shortage of food, but some of the effect was devastating to the agricultural sector. Of course, this is not to say USAID was responsible for the drought, or that it could have prevented it, but does highlight the influence the US exerts.

The influence exerted by the United States when it came to Israeli relations significantly affected Jordan's ability to make decisions consistent with the demands of its citizens, and its self-interest. To highlight this influence, I have used water as an example of undue influence to highlight the unintended consequences.

Water:

Jordan, like many of its neighbors, has a water problem. Water is a scarce commodity, and there are several constraints to the effective use of water in Jordan. The government of Jordan has gone as far as to describe its water issue as the "gravest environmental challenge" for Jordan.¹⁷⁸ Consequently, one of the primary objectives of the USAID has been "to improve water resource management in Jordan."¹⁷⁹ This section does not take away from all the benefits and advantages of the aid put into Jordan's water problem, and the projects built to help with the issue. However, and consistent with the theme of this

¹⁷⁸ The Hashemite Kingdom of Jordan

¹⁷⁹ USAID Report 2001, p. 6.

section of the chapter, it is meant to highlight the unintended consequences, and to an extent, consequences known but disregarded.

There are several reasons why Jordan continued to struggle with water. Jordan's population continued to rise due to natural population growth and the massive influx of refugees from Palestine, Iraq and the surrounding states.¹⁸⁰ The continuous rise in population shifted the "balance between population and water in the first half of the century, into a chronic and worsening imbalance in the second half."¹⁸¹

On a per capita basis, Jordan's freshwater availability ranks among the world's lowest".¹⁸² Rainfall is low and irregular. When it does rain, it often comes in a torrential downpour, with most of the rain water running off the hard earth without penetrating the surface, which then fails to replenish groundwater supplies.¹⁸³ Consequently, Jordan's consumption of groundwater exceeds the amount of water it can reserve, causing a severe water deficit. The other factors are political in nature, and are the focus of this discussion.

According to Heinz Hötzel, Jordan's access to water resources was hampered by neighboring states who controlled water resources, and its distribution.¹⁸⁴ The influx of Palestinians to Jordan furthered the water crisis in Jordan. This crisis led the Jordanian government to request solutions to the 800,000 Palestinian refugee problem. To that end, the U.S. became heavily involved in Jordan Valley Water management planning.

¹⁸⁰*Ibid.*

¹⁸¹*Ibid.*

¹⁸² Fareed Hassan and Kjelloul Al-S, *Jordan: Supporting Stable Development in a Challenging Region* (Washington: The World Bank, 2004), 7.

¹⁸³ Heinz Hötzel, *The Water of the Jordan Valley: Scarcity and Deterioration of Groundwater and its Impact on the Regional Development* (Berlin: Springer, 2008).

¹⁸⁴*Ibid.*

Additionally, the United States exerted its power and used foreign aid as a bargaining chip to facilitate political interests of the U.S. and Israel.

From 1953 though 1956, the United States Ambassador, Eric Johnston, continuously attempted to get the Arab states, including Jordan, and Israel to sign a settlement over the conflicting claims for surface water rights in the Jordan River watershed. Ultimately, the Johnston Project failed to achieve a settlement.¹⁸⁵ Nonetheless, the process behind it evidenced some of the power exerted by the U.S. which could have significantly and adversely affected Jordan.

The Johnston Project (also known as the Unified Plan) favored Israeli interests, and Israel, as David Wishart argued, had every incentive to accept the terms of the Project.¹⁸⁶ Israel was to receive water by redirecting water from Jordan's resources, as well as Lebanon, and Syria. The Arab states, on the other hand, had less of an incentive to accept the project, as it meant less water for their own consumption.¹⁸⁷ Israel and Jordan agreed to the provisions of the Unified Plan and were committed to using only the allocated amounts of water allowed by the Plan, even though the plan was not official.

Jordan agreed to abide by the terms of the Johnston Project. The primary reason for accepting this deal, even though against its own water related interests, came from the promises, by the U.S. government, of non-repayment of loans from USAID. These loans

¹⁸⁵ The negotiations came to be known as the Johnston Project, or the Unified Plan, which attempted to allocate certain percentages to the four states involved (Jordan, Israel, Syria and Lebanon).

¹⁸⁶ D. Wishart, *An Economic Approach to Understanding Jordan Valley Water Disputes*, 21 *Middle East Rev.* 45, 46 (1989).

¹⁸⁷ *Ibid.*

were used to carry out projects, especially in the *Ghor* area, located on the border between Jordan and Israel.

In 1962 Jordan began the East *Ghor* Canal Project, diverting water from the *Yarmouk* River into the canal. Throughout this process, Jordan continued its commitment to the Unified Plan, and abided by its terms, with the understanding that Israel too would abide by the same. However, by 1967, tensions in the Middle East rose to an all-time high between the Arab states and Israel and ultimately led to the Six Day War.

The war ended with Israel's acquisition of the Golan Heights in Syria. The Golan Heights water affected water resources and availability in Jordan as well. Prior to the Six Day War of 1967, Jordanian maintenance crews could freely access the *Yarmouk* River, which was located within Jordanian territories. Once Israel claimed the *Golan* Heights, it also laid claim to *Yarmouk* River midstream, which prevented Jordanian crews from carrying out their job of cleaning up the riverbed. Meanwhile, the crews' inability to clean led to an accumulation of riverbed deposits and eventually formed a sandbar. This further diminished Jordan's ability to divert water to Jordan. The sandbar limited the volume of water that flowed to Jordan especially during low-flow months, which only benefitted Israel.¹⁸⁸

At first look, Jordan's water problem might seem unrelated to the question of United States foreign aid. It does, however, show the unintended consequences of political interference using foreign aid as leverage. Jordan and Israel both made a commitment to the United States. Jordan on one hand kept its end of the agreement, and abided by the terms of the (unpassed) Unified Plan. On the other hand, Israel violated its commitments.

¹⁸⁸ Munther J. Haddadin,. *Water resources in Jordan: Evolving Policies for Development, the Environment, and Conflict Resolution* (Washington DC: Resources for the Future, 2006), 250-251.

Israel ultimately raided the East *Ghor* Canal in 1969 and put most of the system out of commission.¹⁸⁹ Although USAID and foreign aid did not cause the Six Day War, or control the actions of Israel, the strong interest in Israel mean the U.S. did not act when the *Ghor* Canal was demolished, even though foreign aid funds were used to build the canal. Eventually, Jordan received permission to rebuild the East *Ghor* Canal. It goes without saying, some of these consequences are speculative in nature. They are, however, the reality of the situation. The intent of the PFP program has been clear: promoting U.S. political interests in the region. Over the years, it was evident that Israel was the major political interest, and its violations of water terms were secondary.

Of note, USAID acted with the acquiescence of the government of Jordan, whether willingly, or to comply with the terms imposed. The other end of this discussion is that Jordan received a forgiveness of loans to agree to the terms of the Unified Plan. That meant Jordan compromised on water rights, an issue of struggle, and the access its citizen would have to water, in order to reduce the amount of debt owed to the United States. Of course, this is not the fault of aid. It is, however, a negative and unintended consequence that affected peoples access to water.

These are just some examples of the unintended consequences of foreign aid in Jordan. They are not enough to conclude that aid is bad. Rather, they were included to highlight some of the negative impact foreign aid on the micro-level i.e. on the individual, rather than the overall economy.

¹⁸⁹Masahiro Murakami, *Managing Water for Peace in the Middle East: Alternative Strategies*, Appendix C: "Historical review of the political riparian issues in the development of the Jordan River and basin management," United Nations University Press, 1995

Chapter Eight: **Conclusion**

In a post-World War II era, the United States effected a host of efficacious policies to attain dominance in the international arena. When the United States, in fact, became a world power, an imperative to assist developing countries was viewed as being in the nation's interest on the part of senior policy experts. This assistance chiefly took the form of foreign aid: conceptually, this program was developed to assist developing and third world countries learn to become a meaningful part of the economic world order. Foreign aid was indeed rendered to assist these countries to become self-reliant, but this self-reliance was aligned with and relative to the hierarchal realm of the world economic order. Foreign aid contributions were directed to infrastructure, government organizations and agencies, and economic assistance programs in the localities of recipient states. Notably, the United States utilized foreign aid to exert not only

economic influence, but also political influence to assert itself as the leading world power. This greatly aided the United States in accomplishing its various political and economic objectives and agendas over the course of time, which were aligned with the intent of the foreign aid assistance programs and their creation.

Foreign aid in many of these developing countries accomplished the intended goals of economic development, and political influence to the primary benefit of the United States. There are many benefits from aid, as shown in the countless projects promoted and implemented in Jordan. Nonetheless, and expectedly, there are effects that are overlooked because they are either unintended consequences, or alternatively, not directly the cause of the lack of development. Rather, they are mentioned in this research to indicate some of the failures of the programs to accommodate or fix issues particularly faced by lesser developed countries with little or no resources. Tellingly, developing countries are still designated as developing, and have become increasingly dependent on foreign aid. However, this study has, to a certain extent made it clear that foreign aid is necessary, and without it, it unsure where these developing countries would be, particularly here, Jordan.

Initially, aid programs were implemented through the Point Four Program, now USAID, throughout Latin America. Across the globe in the Middle East, many of the recently independent countries were perceived as targets for communism, and to stop that threat, the aid program was extended to the Middle East. Particularly, Jordan, at the center of the Middle East, and its economic and political stability were necessary to stabilize the political atmosphere throughout the Middle East. Moreover, the United

States had an important ally in the Middle East, Israel, which played a role in the United States' policy to extend aid to Jordan.

The intent of the Program and USAID in Jordan was economic stability to further the political interests of the United States in the region, and promote peace. The programs implemented always took into consideration this intent. Foreign aid in Jordan was beneficial to both the United States and Jordan.

For Jordan, aid meant assistance in building infrastructure, government agencies, hospitals, ability to sustain trade and economy in general, promote trade with Jordan, and many other programs. Some programs implemented, however, negatively impacted locals in Jordan, and other policies leveraged through aid, affected the decision-making process of Jordan. Although these negative micro-level effects are significant, they are not enough to deter the benefits Jordan received from aid.

Undoubtedly, Jordan, as a resource poor country would not have survived without foreign aid, and particularly U.S. foreign aid. There was a large discrepancy in how much Jordan needed to import, versus how much it had to offer the world in exports. Jordan did receive aid from neighboring countries, and international organizations; however, most aid was from the United States. Without foreign aid from the United States, Jordan's deficit would have continued to grow, and trade, theoretically, would seize for lack of funding.

In the end, foreign aid is a foreign policy tool, and while it has some negative impacts, it overall assisted and continues to assist in the livelihood of poor countries. Jordan, for the United States has been a successful story: Jordan has an economy, and is an active participant in the world trade market, has promoted peace with Israel, through

aid. A major consideration in this research, although not outright stated, was what would have happened to Jordan in the absence of aid.

Annotated Bibliography

Boone, Peter. "Politics and the Effectiveness of Foreign Aid." *European Economic Review* 40 (1996): 290-329.

Critics of foreign aid have long argued that the ineffectiveness of foreign aid is a direct result of government failure. Peter Boone in his article tests the effectiveness of foreign aid based on an analytical framework which relates it to political effectiveness. Boone argues that foreign aid does not significantly increase investments in recipient's states, nor does it enhance poverty (measured by improvements in human development i.e. health, life expectancy, etc.); however, it does increase the size of government. Boone expands this by stating that the impact of aid does not vary according to whether recipient states are liberal democratic or highly repressive.

Burnside, Craig, and David Dollar. "Aid, Policies and Growth." Policy Research Working Paper, The World Bank, Washington, 1997.

Burnside and Dollar revisit the relationship between aid and growth in this paper by using a new set of data which is focused on foreign aid in the 1990s. The evidence

collected by the authors supports the view that the effectiveness of aid depends on the quality of state institutions and policies. The authors have found the relationship between foreign aid and institutional quality has a positive relationship with economic growth. The authors also show that in the 1990s the allocation of aid to low-income countries favored those with better institutional quality over less liberal states. Their study of several recipient states concludes that corrupt states (governments and institutions) and weak policies limit the impact and effectiveness of foreign aid on development.

Ehrenfeld, Daniel. "Foreign Aid Effectiveness, Political Rights and Bilateral Distribution." *The Journal of Humanitarian Assistance* (Feinstein International Center), February 2004.

Bilateral aid has been criticized by the scholarly community for being structured in a manner that would reap gains for the donor states rather than improve human development. Ehrenfeld suggests that contrary to this belief, it is multilateral aid that has been less effective on development rather than bilateral. Furthermore, Ehrenfeld's paper demonstrates that the presence of political and civil rights in a recipient state has one of the greatest effects on the effectiveness of foreign aid and hence the promotion of development. Ehrenfeld concludes that while bilateral aid may benefit a donor state more than the recipient, progress relating to the political rights could extensively alter this balance of aid value.

Murshed, S. Mansoob, and Somnath Sen. "Aid Conditionality and Military Expenditure Reduction in Developing Countries: Models of Asymmetric Information." *The Economic Journal* (Blackwell Publishing) 105, no. 429 (March 1995): 498-509.

The authors present two conceptually separate models to capture the facts of both bilateral and multilateral aid negotiations. The first model is an application of the problem of adverse selection when there are multiple donors with varying purposes/objectives of giving aid. The second model extends moral hazard to double moral hazard, where neither the donor or the recipient can fully observe or verify the others strategies. The conclusion the authors make is that donor states and recipient states have different motives and different incentives from receiving/ dispatching aid. This serves as an obstacle to assessing the true effectiveness of foreign aid.

Svensson, Jakob. "When is Foreign Aid Policy Credible?" Policy Research Working Paper, The World Bank, Washington, 1997.

Svensson studies foreign aid policy within a recipient-agent framework. The author suggests that one reason foreign aid's effectiveness has a bad record may be a moral hazard problem that shapes the recipients' incentive to give aid for structural reform. This model's basic prediction is a two-way relationship: disbursements of foreign aid are guided by the needs of the poor, and for that, recipients have little incentive to improve the welfare of the poor. The author suggests conditionality as a method to assist in solving this problem, but only if the donor can make a binding commitment to increase disbursements in good states as opposed to bad states. Furthermore, the author also shows that the welfare of all parties might be improved by using a tied project aid (both parties are affected by the ineffectiveness of programs) or by delegating part of the aid budget to an international agency.

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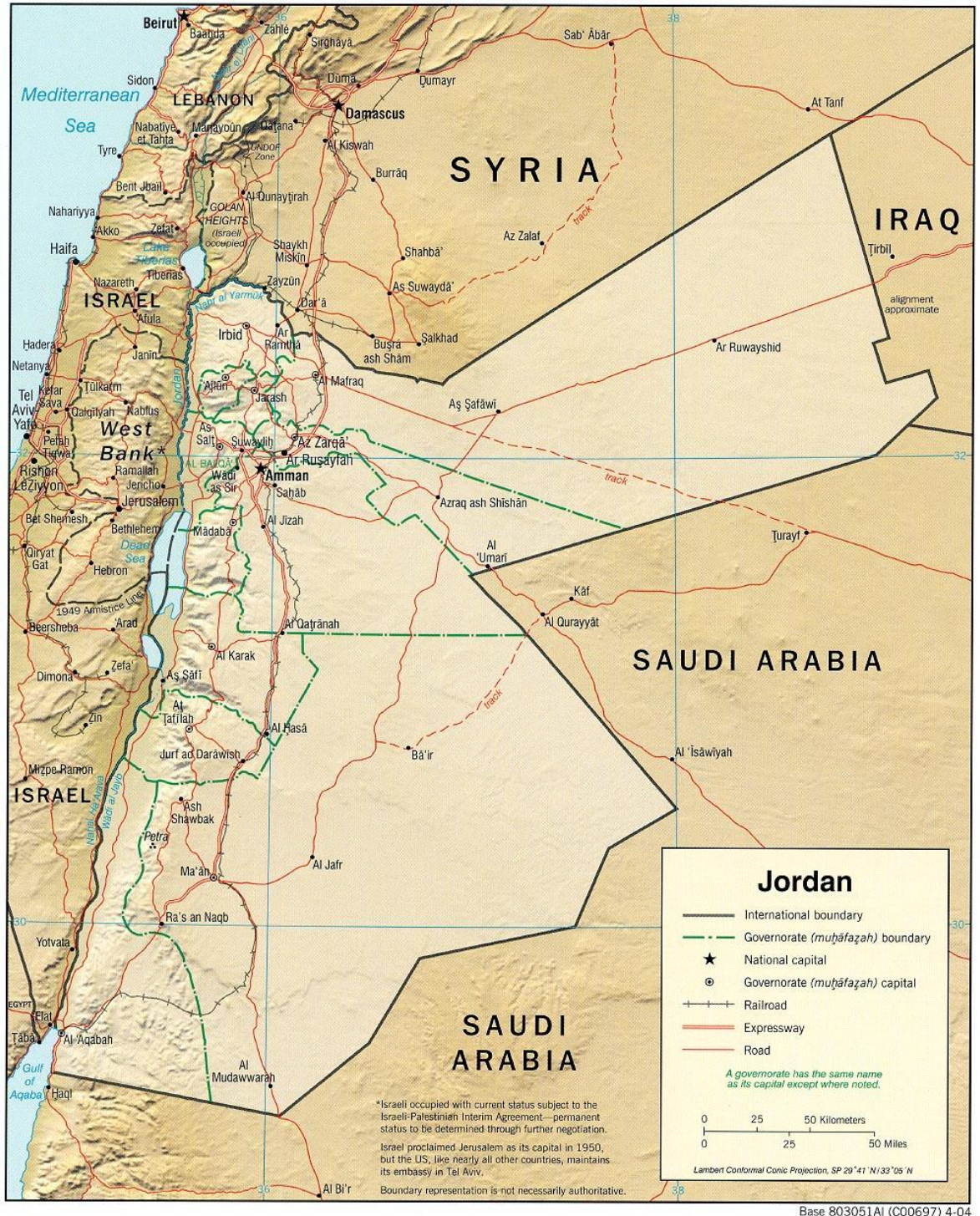
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Appendix A Maps of Jordan



Map of Jordan Post 1967 Six Day War

Source: Perry-Castañeda Library Map Collection, University of Texas; Jordan Map,
Produced by the United States Central Intelligence Agency



Map of Jordan Prior to the 1967 Six Day War

Source: Perry-Castañeda Library Map Collection, University of Texas; Jordan Map,
Produced by the United States Central Intelligence Agency

APPENDIX B

CHARTS AND TABLES

Table 10. Total U.S. Foreign Assistance to the Middle East, 1950-1970
(Loans & Grants; Current Year \$ in millions)

Country/Region	Economic	Military	Total
Iran	750.9	1,396.7	2,147.6
Israel	986.0	277.3	1,263.3
Egypt	884.1	0.0	884.1
Jordan	601.0	95.0	696.0
Libya	220.6	17.4	238.0
Lebanon	111.0	9.6	120.6
Iraq	45.2	50.0	95.2
Total Near East (including other recipients not listed)	5,610.4	2,244.4	7,854.8

Source: U.S. Agency for International Development (USAID), *Overseas Loans and Grants, Obligations and Loan*

Table 1: Aid (grants and loans) given to Jordan from 1950-1970

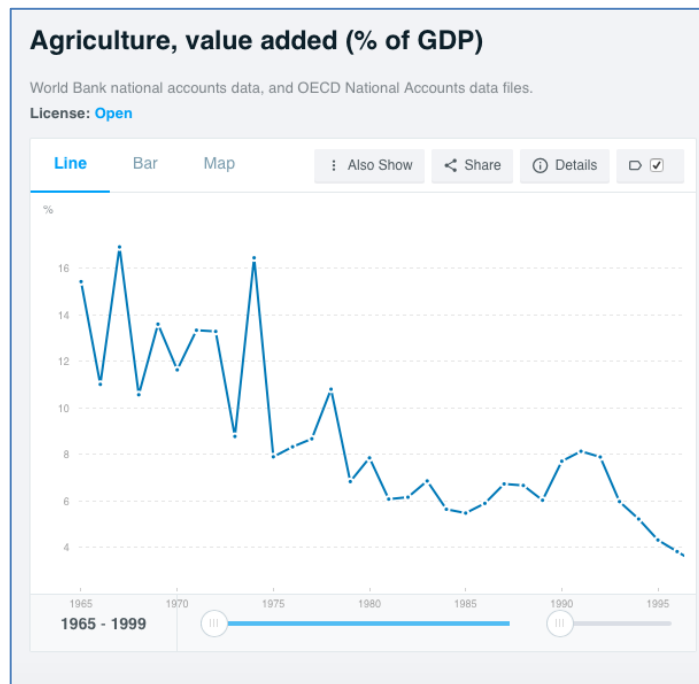


Table 2: Added value of Agriculture to Jordan Gross National Product from 1965-1999.
Source: World Bank National Accounts Data

Programme	Total loans and grants	Repayments and interest	Total less repayments and interest	%
Economic assistance	1,468.2	51.1	1,417.1	64.5
Loans	329.1	51.1	278.0	
Grants	1,139.1	–	1,139.1	
Military assistance	1,149.0	370.5	778.5	35.5
Loans	591.3	370.5	220.8	
Grants	557.7	–	557.7	
Economic and military assistance	2,617.2	421.6	2,195.6	100.0
Loans	920.4	421.6	498.8	22.7
Grants	1,696.8	–	1,696.8	77.3
Other US loans	364.4	146.5	217.9	
Ex-IM bank loans	359.7	141.1	218.6	
All other	4.7	5.4	–0.7	

Table 3: Total US Economic and Military Aid to Jordan, 1946-1983 (million dollars)
Source: Hammad Khalil via USAID, US Overseas Loans and Grants and Assistance from International Organization, July 1, 1945-September 30, 1983.

Year	GNP	Import surplus available	Total Resources	Import % of GNP	Surplus as % of TRA
1959	99.10	32.87	131.97	33.17	24.91
1960	105.70	34.76	140.46	32.89	24.75
1961	127.10	25.46	152.56	20.03	16.69
1962	130.80	23.18	153.98	17.72	15.05
1963	137.70	36.18	173.88	26.27	20.80
1964	160.62	24.45	185.07	15.22	13.58
1965	180.54	26.83	207.37	14.86	12.94
1966	185.65	35.55	221.20	19.15	16.07
1967 ^a	140.90	27.75	168.65	19.69	16.45
1968	166.90	44.36	211.26	26.58	21.00
1969	197.40	63.62	261.02	32.22	24.37
1970	187.00	46.58	233.58	24.91	19.94
1971	199.40	57.88	257.28	29.03	22.49
1972	221.00	66.98	287.98	30.30	23.26
1973	241.50	60.80	302.30	25.17	20.11
1974	279.30	83.80	361.10	30.00	23.20
1975	376.00	118.33	494.33	31.47	23.93
1976	562.40	109.21	671.61	19.42	16.26
1977	660.10	168.29	828.34	25.49	17.29
1978	781.10	192.33	973.41	24.62	19.75
1979	921.30	316.51	1,237.81	34.35	25.57
1980	1,185.30	287.13	1,472.43	24.22	19.50
1981	1,501.10	444.49	1,945.59	29.61	22.84
1982	1,695.40	491.56	2,186.96	28.99	22.47
1983	1,848.30	436.25	2,284.55	23.60	19.09

Table 4: Import Surplus and Foreign Aid Compared, 1959-1983

Source: Hammad, P.33-34 via Jordan, Currency Control Department, Balance of Payments for the Year 1960 (Amman, 1961); Jordan, Department of Statistics, Statistical Yearbook nos. 15 (Amman, 1964) to 33 (Amman, 1982); CBJ, Monthly Statistical Bulletin, vol. 20, no. 4, tables 25, 43. Via.

MARINA K. HADDAD, B.A, J.D.

Resume

EDUCATION:

University of Detroit Mercy, School of Law 2014

Juris Doctor

Active Member in the Maryland Bar/MD Court of Appeals Licensed

Towson University 2017

Masters of Social Science, Global Analysis Track

Research Topics: Economic Development in Jordan; The Muslim Brotherhood;
Development of Urban and Rural Landscapes in Tunisia: Early 20th Century;
Consociationalism Democracy in Lebanon: Ethnic Conflict; Human Trafficking in a
Cross-Cultural Perspective; Historiography of U.S-Israeli Foreign Relations; Christian
Emigration from Jerusalem/Palestine;
The Effect of Globalization in the Middle East; Honor Killings in the Middle East:

Jordan.

University of Maryland, Baltimore County 2008

Bachelor of Arts in Political Sciences with a minor in History

WORK EXPERIENCE:

Department of State August 2017- Present
Foreign Service

Attorney at Law
Carpio Law Firm, LLC. August 2016- August 2017

- Handling all immigration department cases, including asylum, cancellation of removal, family based adjustment of status, and special immigrant juvenile status
- Handling some minor traffic and criminal cases
- Handling some personal injury cases, including production of discovery materials, and responding to discovery responses
- Handling some family cases including juvenile cases, child custody and support, and divorce matters

Attorney at Law August 2015-July 2016
Law Office of Marina K. Haddad

- Compose appellate briefs to the Board of Immigration Appeals, Administrative Appeals Office, and various Circuit Courts
- Perform extensive research on Department of Homeland Security procedures, federal immigration laws, executive orders, and incorporate into briefs/memorandums.
- Communication with various Department of Homeland Security agencies
- Family based immigration representation and asylum representation
- Client representation in immigration proceedings in immigration court, and other immigration entities

Attorney at Law

Law Office of MP, LLC

August 2014-July 2015

- Established the Immigration Department, including client intake procedures and management
- Represented clients in Arlington, VA and Baltimore Immigration Court
- Conducted legal research of immigration laws and impact of change on immigration benefits
- Provided family based immigration representation: asylum, SIJS, naturalization
- Assisted with civil cases involving contracts, employment and labor, and landlord tenant issues
- Employed as Immigration Law Clerk from August 2014-May 2015 prior to position as Attorney

University of Detroit Mercy, School of Law

Student Attorney, Book Award

August 2013- December 2013

- Reviewed immigration cases to determine action plan and Represented clients in Court
- Drafted motions for immigration court as well as correspondence with clients, Department of Homeland Security and other agencies
- Assembled exhibit lists, evidence, and research in support
- Written memorandums to various immigration agencies

State Bar of Michigan- Chair of Law Student Section

April 2012- May 2014

- Convened section meetings as the elected Chair from all Michigan law schools
- Organized the annual "1L Oral Advocacy Competition" held at UDM Law School 2013/2014
- Attended meetings with the Young Lawyers Section as a member of the Executive Council
- Guest speaker on Social Media and the Law at the Annual Leadership Conference

Faten Tina Shuker Law Office

Law Clerk

May 2012- March 2013

- Drafted memorandums to ICE, USCIS, and both the District Court and the 6th Circuit Court
- Performed legal research through Westlaw, and LexisNexis databases
- Drafted Motions to Reopen, Motions to Stay Removal
- Kept correspondence with clients, courts, and various immigration agencies nationwide
- Researched current country conditions of client's native countries

Office Depot

Department Manager

August 2008-August 2009

- Directly responsibility for 4-6 employees.
- Running store functions when manager on duty.
- Attending to customer complaints and inquires daily.
- Responsible for all cash functions: deposits, registers, and safe counts. Regulating work flow during busy seasons.

LANGUAGES & CERTIFICATIONS:

- **Arabic:** Native/bilingual proficiency.
- **Certificates:** LexisNexis Professional Certification 2013; Westlaw Certification 2012.

