

JORDAN NEWS REPORT



Jordan: Water Needed

Jordan's Prime Minister Nader Al Dahabi was in Paris last week for the inaugural Mediterranean Union summit, where he took the opportunity to highlight the problem of water supply in the Middle East. In an address given on behalf of the King, Dahabi told delegates, "the region's demand for water is rising rapidly in tandem with a growing population and an increasingly dangerous water scarcity".

At a meeting held by the Water and Irrigation Ministry (MWRI) shortly before he left for Paris, Prime Minister Dahabi announced that water security was now the government's priority. Water and Irrigation Minister Raed Abu Saud, speaking at the meeting, said Jordan's water deficit for this summer currently stood at 12.7m cubic metres. Earlier in June, Abu Saud had warned Jordanians to expect a drought this summer, as the nation's reservoirs stood at only 40% of their capacity.

The Paris speech was followed the next day by the publication of a report by the Millennium Challenge Corporation (MCC), a US government-funded programme designed to aid development in emerging markets. The report concluded that water scarcity placed Jordan's continued economic growth at risk, and that progress on canalization and conservation was urgently required.

Jordan is among the 10 most water-scarce nations on earth, due to both a

lack of natural resources and continued human pressure on the basin of the river Jordan. Over the years, diversion works by Israel, Syria and Jordan have reduced the flow of the river considerably, causing damage to its ecosystem and forcing the banks of the Dead Sea to retreat by up to a mile in places. Access to the waters of the Jordan remains a contentious issue, and environmental NGOs claim provisions in the 1994 peace treaty between Israel and Jordan designed to rehabilitate the river have not been acted upon.

The government has been aware of the problems facing water security for a long time. In 2005 an agreement was signed between Jordan, Israel and the Palestinian National Authority to assess the possibility of building a canal to link the Red and Dead seas. A World Bank feasibility study is currently being conducted to determine both the financial and environmental factors involved in constructing such a canal. The cost of the project has been estimated at \$2.4bn, with a build time of anything up to 25 years. However, regional tensions have exacerbated efforts to speed up the process, and the RDS (Red Sea/Dead Sea) donor committee, at its recent May meeting faced a \$3.5m shortfall to fund the feasibility study.

The canal is expected to eventually provide up to a billion cubic metres of water to the Dead Sea annually, plus 850 million cubic meters of potable water through desalination powered by hydroelectricity generated by the 400m gradient. With no guarantee that it will ever come to light however, in the short term Jordan must find some way of meeting its current water shortfall.

Dahabi said he wanted to see progress on the canal speeded up, as well as the

long-planned Disi aquifer - a 325km conveyance system designed to run the length of the country to connect Amman with the natural reservoir on its Saudi border, which it is hoped will bring an additional 100m cubic metres a year to the capital. However, with a growing population and renewable freshwater resources estimated at only 850m cubic meters per year (according to the MWRI), the more immediate concern is improving conservation and water treatment. According to Mohammed Najjar, acting Director of the Water Authority's planning and administration unit, up to 51% of water in Jordan is currently wasted, with half of the population not currently served by sewerage networks.

Increasing canalization in Jordan will allow more water to be treated - the government is looking to increase capacity by over 100m cubic metres by 2020. from 130m cubic metres currently to 240m cubic metres. This would allow agriculture (which currently accounts for 65% of available water demand, despite contributing only 3% of GDP) to use recycled water, increasing the fresh water available for human consumption and industry. Another bonus of greater conservation would be decreased energy consumption. Currently, water is rationed throughout summer in Amman, and stored in house tanks. This places an additional strain on electricity generation as energy is required to pump water around the house, rather than relying on pressure within the system.

The MCC and the Jordanian government are currently involved in a workshop session to discuss the findings of the MCC's report, with the intention of developing firm policies that can be used to raise funds to address the water shortfall. Dahabi's

job will then be to persuade organizations such as the Mediterranean Union that water is an even more valuable resource than hot air.

*Source.: Oxford Business Group
05/08/2008*

Jordan: Twist of Phosphate

The record profits earned by Jordan Phosphate Mines Company (JPMC) is indicative of the strength of the global fertiliser market. With the outlook still strong, despite costs pressures, the firm and its counterpart Arab Potash Company (APC) are looking to expand and diversify.

JPMC is Jordan's only licensed phosphate rock producer, the world's sixth-largest producer and second largest exporter of the material, which is refined into fertilisers. In the first six months of 2008, the firm's net profit soared to \$106.5m, up 438% on the same period last year, according to a report by ABC Investments, a subsidiary of Bahrain's Arab Banking Corporation (ABC).

The strong performance reflects high global prices for phosphate rock and fertilisers. Prices started to rise quickly last year, with phosphate rock averaging \$135 a tonne in 2007, up from \$45.5 a tonne in 2006. Meanwhile, diammonium phosphate - a fertiliser - leaped to \$594 a tonne on average, from \$253.5 the year before, according to the World Bank. This helped take JPMC's 2007 sales to \$501.3m and net profit to \$65.1m.

Jordan's potash-driven fertiliser industry has also thrived. APC, which has a concession from the government to exploit, manufacture and market the mineral resources of the Dead Sea until year 2058, achieved sales of \$412m in 2007 (up from \$219m in 2003), boosting gross profit to \$195m.

The price of fertilisers and the raw materials used to make them have been pushed up by a range of factors, the ABC report reveals. The world's rising

population and the increasing affluence of most countries, particularly emerging markets, has led to rising demand for food, particularly meat. Livestock cultivation requires more intensive farming than arable agriculture, thus increasing demand for grains.

This demand-pull has combined with tight supply - agricultural land is limited and cannot be increased rapidly - to drive up food prices and demand for fertilisers.

Jordan's fertiliser firms have therefore benefitted. JPMC controls the kingdom's estimated phosphate rock reserves of 1.47bn tonnes, which represents roughly 12% of the global total, and extracts the material from the three mines it operates. It also owns a chemical manufacturing complex in the port city of Aqaba.

Given its recent success, JPMC is looking to build on its base and expand. To this end, it is increasing its downstream capacity and expanding its operations overseas by forging partnerships with foreign firms. It has two new fertiliser plants under construction in the kingdom, one funded by Bahrain's Venture Capital Bank, and the other in collaboration with Mitsubishi Corporation of Japan, which has worked with APC for a decade.

Meanwhile, in July, JPMC inked a memorandum of understanding (MoU) with Indonesian outfit Petrokimia Gresik for the construction of a fertiliser plant in East Java. The project will play a key role in securing JPMC a foothold in a fast-growing economy, with the Jordanian firm pledged to supply the refinery with 1m tonnes of phosphate rock annually.

APC for its part, accounted for 3.2% of world potash output in 2007. It is a key supplier to the Mediterranean region and is expanding its sales in Asia, where it already exports to Malaysia, India and China. The firm opened an office in Kuala Lumpur as early as 2004, and aims at increasing its output from 2m to 2.5m tonnes, an expansion that should be complete next year.

While recent performances have indeed been strong, the firms face several challenges as they look to expand. Not least of these are rising costs. Prices of the materials used in the refining process have jumped sharply over the past year, while climbing transport costs also eat into margins, particularly as many of Jordan's phosphate, potash and fertiliser industries are quite geographically distant. Jordan's admirably tight environmental and safety regulation, as well as to an extent its labour legislation, also arguably exposes it to competition from less scrupulous rivals. The biofuels boom that might have bolstered the sector is also cooling off. Nonetheless, ABC Investments forecasts that global demand for phosphate, potash and their derivatives will continue to grow, meaning Jordan is in a strong position to continue to reap the benefits.

Source.: Oxford Business Group 11/09/2008

Jordan: Going Places

The development of Jordan's tourism sector, a key part of its economy, may well continue despite tighter global circumstances. A new promotion campaign and a focus on package and medical tourism may prove the right mix for the Kingdom to capitalise on existing opportunities.

This autumn, the Jordan Tourism Board (JTB) is set to launch a new campaign targeting Europe and North America. Though the JTB's new emphasis on promoting tourism in these regions may raise some eyebrows - especially given their economies' recent turmoil stemming from the crash of several US financial houses - the timing has been chosen specifically due to seasonal trends. "A lot of people use this time of year to start planning where they would like to go on vacation," JTB Managing Director Nayef Al Fayez told the international press. "This is why it is important for us to start preparing now."

Additionally, the JTB is focusing on "e-marketing" to help expand the reach of its publicity, while at the same time the organisation is aiming to increase the

average length of a visitor's stay in the Kingdom.

According to the World Tourism and Travel Council, the tourism sector in Jordan directly generates about \$1.36bn annually, or 7.9% of GDP, and accounts for 134,000 jobs, or 7.6% of all employment. Directly and indirectly, however, the sector is thought to be worth around \$3.28bn annually, or 19.2% of GDP, and accounts for some 17.6% of employment.

The recent success of package holidays has set something of a precedent in terms of both growth and the market that Jordan is targeting. Ministry of Tourism figures indicate that this year the number of visitors on such tours has risen to almost 288,000, 60% up on the same period last year. Growth in package tour arrivals from the US was particularly strong, almost double the figure for the first seven months of 2007, while the number of package tourists from Europe and East Asia and the Pacific grew 68% and 48%, respectively.

Crucially, the package policy involves targeting tour operators as well as broader advertising aimed at the individual. It requires that Jordan participate in a competitive package market in the Mediterranean basin, where destinations such as Greece, Turkey, Egypt and Morocco try to lure tour groups with a similar mix of culture, history, nature and comfort. The breadth of attractions offered by regional competitors obliges Jordanian operators to continue to provide both variety and high standards. As a country which has never sought to attract cheap, mass tourism, Jordan is already in a strong position to cater to an ever more demanding middle-to-high end market..

Another area of particular growth is health, or medical tourism. The World Bank estimates that Jordan is the Arab world's number one health tourism destination, with world-class treatment standards and costs as little as a third of those in Europe. In 2007, Jordan generated an estimated \$1bn from health tourism.

"Jordan is the only country in the Middle East that generates more income than it spends on health," Fawzi Hammouri, president of the Private Hospitals Association (PHA), told local press.

According to PHA statistics, some 250,000 foreign patients from more than 80 countries were treated in Jordan last year. While this figure was boosted by some 45,000 Iraqis, many of whom have settled in Jordan temporarily in recent years, it is nonetheless impressive for a country that has limited resources to invest in its health system.

As Gulf countries boost their own healthcare sectors, with an eye on medical tourism, Jordan will doubtless feel more competitive pressure. In response, sector experts such as Dr. Mahmoud Sarhan, CEO and director general of the King Hussein Cancer Centre (KHCC), have asserted that Jordan's health tourism future lies in specialisations, such as oncology and complex transplants.

While acknowledging tougher circumstances in traditional Western markets, Jordan's tourism authorities believe they have identified niches that will allow for the sector's continuing growth, building on its existing attractions. Evidence this year suggests that so far, so good.

*Source.: Oxford Business Group
30/09/2008*