

Military industrialization and economic development: Jordan's defense industry

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Received 15 May 2006; accepted 12 February 2007
Available online 24 February 2007

Abstract

Jordan is a recent entrant to the domestic defense industry with the establishment of King Abdullah II Design and Development Bureau (KADDB) in 1999. The defense industrial initiative is intended to jumpstart industrialization across a range of sectors. With the Jordanian defense expenditures at 8.7% of GDP, the Jordanian authorities created the defense industry to utilize defense budget spending power and to assist in economic growth without placing additional demands on the national budget. This study examines Jordan's attempt to establish a defense industry and reviews its accomplishment. The study also compares the economic achievements of the defense industry to those of the Qualified Industrial Zone (QIZ), another major government facilitated economic development mechanism.

Published by Elsevier Inc.

JEL classification: F52; O38; O53

Keywords: Defense industry; Qualified industrial zone; Jordan; KADDB; Industrialization

1. Introduction

Jordan is a recent entrant to the domestic defense industry with the establishment of King Abdullah II Design and Development Bureau (KADDB) in 1999. As a measure of the importance Jordan attaches to the

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creation of this fledgling industry, KADDB was established by royal decree, and reports directly to the King of Jordan.¹ KADDB is to provide scientific and technical services to the Jordan Armed Forces, to supply defense and commercial equipment customized to meet the needs of clients in the Middle East and North Africa, and to assist Jordan in creating a sustainable industrial base that would complement commercial civilian applications.² Jordan markets itself as the “Gateway to the Middle East” and within that context, KADDB has positioned itself as the “Technology Partner of Choice for the Middle East and North Africa.”

In contrast to other countries that have developed domestic defense industries for strategic reasons, Jordan’s primary reasons appear to be economic.³ As part of an economic reform program, the defense industrial initiative intends to jumpstart industrialization across a range of sectors. Jordan’s goals are to stimulate the development of a defense scientific industrial base, to enable import substitution and export sales generation, to ensure the development of domestic industries and technology, to provide training to technical personnel for improved employment opportunities, and to promote the development of regional industrial joint ventures.⁴ With the Jordanian defense expenditures at 8.7% of GDP, the Jordanian authorities created the defense industry to utilize defense budget spending power to assist in economic growth without placing additional demands on the national budget.⁵ Table 1 details Jordan’s defense burden and military expenditures from 1992–2002. The Jordanian defense industrial initiative is being undertaken during a period of uncertainty as to the future security environment.⁶

In this study, I review the Jordanian defense industry and assess the success and failure of this industry as a stimulus to economic development. In addition, I evaluate the resulting employment creation, technology transfer, improved trade, and both backward and forward linkages to the civilian industrial sectors. I compare the economic achievements of the defense industry to those of the Qualified Industrial Zone (QIZ), another major government facilitated economic development mechanism.

The rest of the paper is structured as follows. Section two reviews the economics of military industries. Section three provides an introduction to Jordan and the evolution of its economy. Section four details

¹ KADDB publication.

² To facilitate the establishment of a civilian commercial industry, KADDB and the Royal Scientific Society (RSS) signed an agreement early 2005 to establish a commercial industrial research center, the Center for Applied Industrial Research (CAIR). CAIR technical staff will consist of scientists from both organizations. CAIR’s stated goal will be to advance Jordan’s science based industries by focusing on fields of research such as materials science, energy, water resources, biomechanics, nanotechnology, and safety and security. The UK’s Defense Evaluation and Research Agency (DERA) identified these fields of research as areas that are attracting resources for research and development in NATO (*Jane’s International Defense Review, 2002*).

³ The motivations for domestic defense production are to reduce dependence on outside arms suppliers, to enhance a nation’s status in the international community, to facilitate the transfer of technology, and, over time, to gain economically. South Africa’s stated goal in developing its defense industry in the early 1960s was (*Brauer, 2002*) to provide the country with a reliable source of arms after its increasing isolation from the world as a result of its apartheid policies. After the emergence of a new political order in 1994, following the election of an ANC led government, and the lifting of the UN arms embargo, the defense industry underwent substantial restructuring with the new government struggling to justify maintaining the existence of the industry. Eventually, the justification focused on trade, economics, and employment maintenance and creation. (*Batchelor and Willet, 1998*). Brazil built an defense industry for national security to enhance its ambitions both as a regional and global power (*Perlo-Freeman, 2004*) and as a preemptive strategic move (*Brauer, 2002*).

⁴ KADDB, *Jane’s IDR (2002)*.

⁵ *Looney (1988)* points out that the economic effects of military industrialization can not be considered separate from patterns of military spending. He concludes that developing countries may minimize the adverse impacts of increasing military burdens by creating macro-linkages from the arms industry to the economy.

⁶ SIPRI Military Expenditures and Arms Production Project — June 2005.

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