

BTI 2014 | Jordan Country Report

Status Index	1-10	5.09	# 80 of 129	
Political Transformation	1-10	4.10	# 92 of 129	➔
Economic Transformation	1-10	6.07	# 48 of 129	➔
Management Index	1-10	4.63	# 76 of 129	
	scale	score	rank	trend

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2014. It covers the period from 31 January 2011 to 31 January 2013. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

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Key Indicators

Population	M	6.3	HDI	0.700	GDP p.c.	\$	6147.7
Pop. growth ¹	% p.a.	2.2	HDI rank of 187	100	Gini Index		35.4
Life expectancy	years	73.6	UN Education Index	0.697	Poverty ³	%	1.6
Urban population	%	83.0	Gender inequality ²	0.482	Aid per capita	\$	97.5

Sources: The World Bank, World Development Indicators 2013 | UNDP, Human Development Report 2013. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$2 a day.

Executive Summary

The regional turmoil triggered by the Arab Spring in 2011 and 2012 greatly affected Jordan's political and economic development. The authoritarian rule of the Hashemite monarchy was regularly challenged by protests beginning in January 2011. The economy was pressured both by protesters' demands and the escalation of the conflict in Syria, which flooded Jordan with refugees. Despite this volatile environment, the country managed to avoid being drawn into violent confrontations with regional or domestic actors. King Abdullah II, who has ruled the state since his succession in 1999, preserved Jordan's reputation as an "island of stability" in a conflict-prone Middle East region. The domestic political landscape continues to be dominated by the Royal Court, the appointed government and the security services that extend the monarchy's authoritarian grip over Jordanian society. In reaction to the opposition's demands, a large body of reforms and other new policy measures were implemented during the period under review, including 41 constitutional amendments, the establishment of a constitutional court, the institution of elections under the auspices of the newly installed Independent Election Commission (IEC), the revision of the long-criticized electoral law in June 2012 and the dismissal of four prime ministers. However, actual political change was far less substantial. The revision of the electoral law was dismissed by the opposition as "cosmetic," and indeed its application in the January 2013 elections yielded results similar to those of recent parliaments in the form of an absolute majority (about 75%) of mostly tribally based Transjordanian regime loyalists. Reaching an unprecedented 56.6%, voter turnout was higher than in the previous elections in November 2010, although the Islamic Action Front (IAF), the parliamentary arm of the Jordanian Muslim Brotherhood (MB) and the primary political opposition party in the country, boycotted the elections along with four other reform-oriented political groups. However, the king learned from the mishaps of past Arab leaders, as well as from the successful reform model pursued by the Moroccan king. The public gatherings law was loosened so as to allow demonstrations to take place more easily, although at the same time, a law restricting the freedom of expression on the Internet was passed. The creation of the IEC was praised as a great step forward, and local and international electoral observers said

the electoral process was generally smooth. The government avoided the mistakes made by leaders such as Syria's Bashar al-Assad and Libya's Muammar al-Ghaddafi, eschewing tough repressive measures, although police and gendarmerie forces maintained a tight control on demonstrations and were present at voting locations.

While state revenues have only marginally increased in the last years, political pressures have for the most part precluded a reduction in state expenditures. In one significant exception, the government's acceptance of a \$2 billion IMF loan required it to abolish fuel subsidies in November 2012, a decision that led to the heaviest riots the country has seen in years. These protests also featured the first concerted calls for overthrow rather than mere reform of the regime, the usual slogan of Jordanian protesters. However, the situation was quickly calmed. The king announced compensatory cash payments for those who could not afford the rising prices, and the demonstration slogans returned to normal. However, the country's economic situation, characterized by widening budget deficits and rising debt, remains dire even with huge loans and grants from international donors on which Jordan depends more than ever. Repeated disruptions of Egyptian gas transmissions (15 disruptions since February 2011 because of attacks on the pipeline that also provides Israel with gas) and the flood of Syrian refugees (350,000 as of January 2013) put an additional strain on the resource-poor kingdom.

History and Characteristics of Transformation

After a period of active state-led economic development but political stagnation during the 1970s and 1980s, supported by substantial contributions of oil money from other Arab countries, Jordan experienced a post-1982 decline in state revenues driven by the decline in world oil prices. The volume of commodity exports destined for the Persian Gulf monarchies, transfers from Jordanian expatriates and Arab financial assistance all declined simultaneously. With the shock absorbed at first by the country's then-comparatively high foreign exchange reserves, the government started to increase trade and capital account barriers, and implemented an expansionary monetary policy. Eventually, the policies implemented proved contradictory, and showed only limited success. External as well as internal indebtedness increased. Foreign currency speculation and bad loans led to a serious crisis in the domestic banking system, with the third-largest Jordanian bank declaring bankruptcy in 1988. The eruption of the first Palestinian uprising (intifada) in 1987 was perceived by the late King Hussein as a threat to Jordanian claims on parts of the Palestinian territories, as the West Bank had been under Jordanian control from 1948 to 1967, followed by a civil war in 1970 – 1971 when the Jordanian army dispersed most armed Palestinian groups from Jordanian territory. In 1988, Jordan officially disengaged from the West Bank, emphasizing the legitimacy of the Palestinian Liberation Organization (PLO) as the sole voice of a Palestinian nation. In political economy terms, the disengagement from the West Bank considerably heightened the liquidity problems of the Jordanian economy. At the end of 1988, the central bank discontinued its allocation of foreign currency reserves to the support of the broader economy, and the Jordanian dinar was devalued. Supported by the IMF and World Bank, a comprehensive

structural adjustment program was introduced, which included austerity and economic liberalization measures. Simultaneously, political liberalization was initiated as a means of containing public turmoil associated with worsening living conditions. In 1989, Jordan held its first nationwide parliamentary elections since 1967. Subsequent periods were followed by the abolishment of additional political restrictions. During the Kuwait war of 1990 – 1991, the late King Hussein took an economically motivated pro-Iraqi position (bolstered by the well-known Palestinian sympathies for Saddam Hussein) in spite of pressure by an international donor community that broadly condemned the Iraqi invasion. Repeatedly bypassing the parliament, King Hussein proved to be the primary decision maker within the Jordanian political system. During the following years, a number of restrictive policies were implemented, undoing previously implemented political liberalizations. The introduction of the “one man, one vote” formula for parliamentary elections in 1993 was intended to favor traditional elements of Transjordanian origin at the expense of actors holding extremist ideological views or those with a Palestinian background. After the unilateral decision of the PLO to engage in a peace process with Israel and the signing of the Oslo Declaration in 1993, King Hussein no longer felt obliged to link a Jordanian peace agreement to an inter-Arab settlement of disputes with Israel, and eventually agreed to a bilateral Jordanian-Israeli peace treaty in 1994. While the treaty helped spur economic assistance and financial aid, notably from the United States and the European Union, the process of political liberalization slowed and was gradually reversed due to widespread public opposition to the political and economic normalization of relations with Israel. King Abdullah’s succession to the throne in 1999 was accompanied by a turn to further economic reforms, which was only later followed by a political reform agenda. Developing the domestic economy’s potential became a major policy priority, and was considered to be of overarching importance in securing the support of international bilateral and multilateral donors. New development policies have been gradually implemented by a younger generation of mainly technocratic politicians, who have tried to dissociate Jordan’s economic potential from its hitherto dominant link to the Arab-Israeli conflict. From 2006 to 2008, following the Hamas electoral victory in the neighboring Palestinian Territories, the Islamic Action Front (IAF) as the main political opposition party in Jordan was harshly repressed by the state’s increasingly influential security services. The regime hardened its anti-terrorism strategy after the 2005 bombings in Amman and again in early 2010, when radical Jordanian Islamists tried to kill the Israeli ambassador in Jordan and a bomb attack by a Jordanian double agent in Afghanistan killed a number of CIA agents. In October 2012, a major terrorist plot by an al-Qaeda affiliated group was reportedly thwarted by the secret service.

The country managed to weather the global financial crisis relatively well by providing a guarantee for all bank deposits until the end of 2010. While the budget deficit and debt level rose during 2011 and 2012, the country profited from a heightened inflow of funds due to the turbulence of the Arab Spring and the influx of Syrian refugees. The regime initially responded to protesters’ economic demands in early 2011 with subsidies and wage increases, but these policies were incrementally replaced by targeted compensation payments and a further continuation of austerity measures in expectation of financial support from the international donor community.

Today, Jordanian society is still largely divided between Transjordanians (those whose families lived east of the Jordan River after World War I) and Palestinians (those whose families lived west of the Jordan River). This has led to certain problems and cleavages between the factions, with a Palestinian majority that largely has Jordanian citizenship but still faces discrimination and political disregard. This cleavage was evident during the protests, with each side demonstrating considerable suspicion of the other; however, overarching coalitions bridging the two groups are developing, especially among newly emerging youth opposition groups.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

In principle, the state's monopoly on the use of force is established nationwide. However, tribal clashes and periodic unrest targeting governmental, security and judicial institutions in the country's rural areas (in Ajlun, Ma'an, Madaba, Mafraq, Karak, Irbid, Salt and Tafileh), some of which emerged even before the Arab Spring uprisings, increased and intensified during the period under review, with political protests taking place on a regular basis beginning in 2011. One incident in December 2011 occurred in Mafraq, where members of the local Bani Hassan tribe attacked Islamist demonstrators and burned the office of the Muslim Brotherhood (MB). Unprecedented attacks against government institutions such as police stations occurred in November 2012 after the government announced the removal of fuel subsidies. This indicates that the government's authority and monopoly on the use of force may be threatened by some segments of the population in these areas. While state security forces were able to restore order and the violent protests ebbed after a week, the political, economic and social problems that led to the outbreak have remained largely unsolved.

All ethnic and religious groups enjoy equal rights before the law. However, there are restrictions for certain Palestinian refugee groups, whose access to Jordanian citizenship depends on the date of their arrival in Jordan as well as their place of origin. Only Palestinians who fled to Jordan during the war in 1948 are granted full Jordanian citizenship. No Palestinian from Gaza can receive a permanent Jordanian passport; these individuals hold temporary two-year passports with no identity number, and are not granted full access to state services. According to the United Nations Relief and Work Agency for Palestine Refugees in the Near East (UNRWA), of the 2 million Palestinians that reside in Jordan, only 140,000 lack Jordanian citizenship.

The government's reactions to public debates and critical comments on the issue of Palestinians in Jordan reveal fears and resentments on the part of the country's

Question
Score

Monopoly on the
use of force

7

State identity

6

Transjordanian elite (i.e., those families residing on the East Bank of the Jordan River when Jordan was established in 1921). They in particular often raise the issue of the so-called alternative homeland (al-watan al-badeel) scheme, an alleged plan of the United States and Israel (with or without Palestinian cooperation) to abandon the right of return and turn Jordan into an alternative Palestine. It is highly doubtful that a significant part of the Palestinian population east or west of the Jordan adheres to such an idea. Nevertheless, the intercommunal tensions continued during the political protests, with loyalists painting the anti-government protests as a Palestinian phenomenon unrepresentative of the country as a whole.

Since his ascension to the Hashemite throne in 1999, King Abdullah II has initiated a number of public relations campaigns driven by core slogans such as “The New Jordan” (al-Urdun al-Jadid), “Jordan First” (al-Urdun Awwalan) and “We are all Jordan” (Kulluna al-Urdun). Each of these has been intended to weave all citizens, independent of origin, into a unified social fabric, bound together by a sense of loyalty to the homeland. Yet after years of poster and media campaigns, general doubts remain as to whether a Jordanian national identity exists, especially among Palestinians. However, oppositional youth movements in particular, staffed by Palestinians and East Bankers alike, have tried hard to counter intercommunal hostilities through a show of unity, in part by displaying state symbols such as flags and pictures of the royal family at demonstrations, and by publicly repeating the campaign slogans.

The immigration of Egyptian, Iraqi, South Asian and Southeast Asian workers since the 1990s, as well as the presence of Iraqi war refugees, especially after 2006, has complicated the issue of state identity in Jordan even further. This process will probably continue given the massive influx of refugees from the civil war in Syria and the deteriorating popularity of the royal family among many East Bankers.

Article 2 of the Jordanian constitution stipulates that Islam is the state religion. The ruling Hashemite family enjoys a distinct religious legitimacy because it traces its origins back to the house of the Prophet Muhammad. The Christian community, which constitutes about 6% of the population, can exercise its faith freely and without intervention by the state. Members of the royal family, especially former Crown Prince Hassan (an uncle of Abdullah II), credibly call for tolerance and respect between religions, and actively support interfaith dialogue. Several attempts to reform the personal status law, which strongly disadvantages women, have met with resistance from conservative tribal and religious figures, as well as from part of the parliament.

However, the propagation of secularism and religious plurality is often used as a political weapon as well, since the largest and most influential oppositional actor – the Jordanian Muslim Brotherhood (MB) and its political arm, the Islamic Action Front (IAF) – as well as many other Islamist groups are seen by many Jordanians as

No interference of religious dogmas

6

representing mainly Palestinians. Since the rise to power of Islamists in Tunisia and Egypt, containing Islamism has moved even further up the regime's agenda. The influence of those groups is therefore often checked by the state, as in a bill proposed in April 2012 banning parties founded on a "religious, ethnic or sectarian" basis.

The state has a differentiated administrative structure throughout the country, divided into 12 governorates. Legal decisions are widely enforced. However, the fact that these structures are centered in northern Amman, which functions as the most important hub for the allocation and distribution of resources, means that the capital is generally favored over rural areas. In less advantaged areas such as Eastern Amman, a slow deterioration in the quality of administrative services and infrastructure can be noted. This growing politico-economic gap between Amman and the rural governorates of the south, with the partial exception of the Red Sea port of Aqaba, has only widened since King Abdullah's ascension to the Hashemite throne in 1999. In addition, there are problems resulting from the regime's practices of favoritism (*wasta*). Positions in the state bureaucracy are primarily awarded not according to meritocratic principles, but on the basis of kinship and personal relationships. Irregularities regarding taxation and the distribution of funds are frequent. The Royal Hashemite Court (*Diwan al-Maliki*) functions as a parallel administrative structure, working directly under the king's guidance and (in parallel to the state's bureaucracy) and possessing the power to allocate resources. However, *wasta* and centralism mitigate each other's effects to some extent, as the co-optation of the most important tribes, spread over rural areas across the country, is a central task for the government as it seeks to ensure loyalty.

Basic
administration
6

2 | Political Participation

General elections have been regularly held since 1989. However, given the excessive dominance of the king and the executive, they have only limited influence over the selection of the country's political leadership. The last (early) parliamentary elections were held on 23 January 2013, and were conducted under a revised electoral law passed in June 2012 based on the highly controversial "one man, one vote" system (or single nontransferable vote). This law continues to be based on a heavy gerrymandering of the districts, resulting in discrimination against urban and Palestinian-dominated areas (both of which are IAF strongholds) while favoring the conservative tribal countryside. Major revisions included an additional ballot for a national list, a measure which strengthens political parties; the expansion of the total number of parliamentary seats from 120 to 150, which also increased the number of seats reserved for women from 12 to 15; the creation of an Independent Election Commission (IEC); and a change in the selection procedure for the new prime minister, who will henceforth be chosen after "consultation" with parliament rather than being appointed and dismissed by the king at will. Critics dismissed the changes

Free and fair
elections
5

as “cosmetic” given that only 27 (or 18%) of the parliamentary seats are reserved for the national list, meaning that a loyalist majority is still virtually guaranteed, and the fact that the changed selection process for the prime minister will not result in a significant constraint of royal prerogatives.

Consequently, the elections resulted in an absolute majority for pro-regime and mostly tribal candidates, who now account for about 75% of the 150 parliamentarians in the lower house, a slight decline in share from November 2010 (though the number of legislators has been expanded). They serve alongside about 37 more critically minded members. The upper house, now numbering 75 senators, is appointed by the king. This overall result is attributable to the limited nature of the revisions, but also to the boycott of the balloting mounted by the IAF, the country’s only relevant opposition party. The party’s boycott decision, announced in July 2012, was – echoing its boycott of the previous elections in November 2010 – driven mainly by the insufficiency of the electoral law reform, but also by the party’s negative experiences of election rigging and vote buying during the elections in November 2007. The 2013 elections process, however, was deemed relatively clean by international and local observers, with only minor transgressions. This is also due to the fact that the IEC conducted a thorough campaign on vote buying and other election fraud procedures in preparation for the polls. Several candidates accused of vote buying, among them prominent figures such as National Union Party President Mohammad Khashman, were jailed and remained in custody during the elections. However, this only partly masked the fact that the initial conditions facing candidates were unequal given the discriminatory election law, a fact that was also pointed out by international observers such as the National Democratic Institute.

According to the constitution, the king is the head of state in a hereditary monarchy (his 18-year old son Hussein was decreed the heir apparent in 2009). He is not elected and can neither be dismissed nor controlled by elected representatives. The constitution grants him the power to rule without the consent of the elected Chamber of Deputies under certain conditions. The Hashemite monarchs have made vigorous use of these rights in the past, and it remains to be seen whether and to what extent the current demonstrations and protests will affect the king’s prerogatives.

In contrast to the palace, elected politicians have only limited powers. Although the king waived the right to appoint and dismiss the prime minister directly in 2012, he still selects the members of the upper house (the House of Notables, or Majlis al-Ayan, playing the role of a senate) as well as all provincial governors. All judges are appointed by royal decree. The prime minister appoints the cabinet under the close supervision of the king. A new prime minister has to win a vote of confidence in the lower house, the Chamber of Deputies (Majlis an-Nuwwab). Occasionally, groups of deputies threaten to withhold this vote. In response, the prime minister then needs to reshuffle his cabinet with the consent of the king in order to gain a majority. Theoretically, a two-thirds majority in both houses can override the king’s veto,

Effective power to govern

2

although due to both houses' loyalist composition, this almost never happens. The parliament thus has limited influence given the necessary level of coordination among deputies. It may put meaningful pressure on the executive branch of the government, but not on the Royal Court or the king. While the lower house has repeatedly been the target of public anger and dissatisfaction, including in the ongoing protests, the senate enjoys a relatively substantial degree of public support.

Jordanian tribes, the traditional bedrock of the regime, have a significant say in politics and are accommodated frequently by the government and palace, although they do not possess an institutionalized veto power.

Independent political and civic groups are accorded the right of association, but only under strict restrictions imposed by the Interior Ministry and the intelligence service. In February 2011, almost at the very beginning of the regular protests in Jordan, some restrictions on public gatherings were revoked. Thus, while demonstrations still have to be announced four days in advance, they no longer need government approval.

Association /
assembly rights

5

A considerable number of the recent demonstrations and popular uprisings, which were mainly directed against the government and its policies, took place without the consent of the authorities. However, these generally did not generate any serious response on the part of the security forces. At the beginning of the sit-ins, policemen even provided demonstrators with juice as a way of combating the heat; however, as the conflict intensified, reactions by police and the gendarmerie grew harsher, to the point of frequent use of tear gas and batons. However, the brutal repression seen in neighboring countries did not occur, although security forces allegedly held back when government loyalists attacked protesters on 24 March 2011, a first violent escalation that resulted in one casualty. Arrests following demonstrations that do escalate into confrontation are made on a regular basis, but the king has typically ordered the release of detainees after a short while.

The freedoms of opinion and of the press are in principle guaranteed by Article 15 of the constitution. However, this freedom is subject to important restrictions. Journalists are not allowed to report on the king or the royal family without authorization. Reporting anything that could damage the state's "reputation and dignity" is also strictly forbidden, as is insulting religious belief and inciting ethnic or sectarian strife. These taboos are structurally ingrained and remain out of bounds for the media in both law and practice. As a result, self-censorship among journalists is widespread. In addition, pre-censorship of newspapers, journals and publishing houses is to a certain degree allowed by law, and is facilitated by the fact that the biggest Jordanian dailies (ar-Rai, ad-Dustur, Jordan Times) are controlled by the state. Therefore, media reporting is distorted and manipulated on a daily basis by state institutions, often in the name of state security. Television and radio broadcasting are subject to a higher degree of control than is the printed media, with the partial exception of the transnational Arab news channel al-Jazeera, whose offices in Jordan

Freedom of
expression

4

were constantly monitored and mostly closed during 2009 and 2010. English-language media enjoy greater freedom than do Arabic editions. A draft law passed in September 2011 allows journalists who report on corruption without “solid facts” to be fined. An August 2012 draft amendment to the Press and Publications Law now includes restrictions on Internet content. This law was one reason why Jordan’s ranking in the Reporters Without Borders’ Press Freedom Index 2013 fell six places to 134th (out of 179 countries), after already having fallen eight places in the 2011 – 2012 report (to 128th of 178 countries). The 2012 Freedom House index ranks Jordan’s Internet as “partly free,” but its press as “not free.” While physical intimidation of reporters is rare, a group of journalists was attacked by the police in July 2011, though four of the police officers involved were arrested during the subsequent investigation. Despite the restrictions, a number of bloggers critical of the regime have emerged in recent years.

3 | Rule of Law

As the head of state and main executive body, the king holds the reins of otherwise separated powers in his hands. Although 2012 was the last year he appointed and dismissed the prime minister and the cabinet directly, he still has the power to convene and dissolve the parliament, is the commander of the armed forces, and ratifies laws and treaties. During periods when the lower house is in recess or has been dissolved, the king rules by royal decree. In addition, the king names all judges, provincial governors and senators of the upper house of parliament. The separation of powers is therefore only minimally developed and heavily skewed in favor of the executive, particularly the king. Theoretically, the parliament can override the king’s veto authority with two-thirds majorities in both houses, and the lower house can dissolve the cabinet with a no-confidence vote, but this is highly unlikely given their staunch pro-government majorities. Other politically relevant institutions include the Royal Hashemite Court, the security service (mukhabarat) and portions of the Palestinian business community, which separately wield a certain amount of influence in the fields of foreign affairs, domestic security and economic policy. However, this non-crown influence rests on extrainstitutional and informal mechanisms, and thus ultimately depends on the tolerance of the king. The substantially increased political influence of the security service as headed by Muhammad Dhahabi in the years 2006 to 2008 was heavily curtailed by the king with his nomination of Muhammad Raqqad to fill this role instead.

The judiciary is formally established as a distinct entity and operates without major interference on minor issues, though it sometimes remains subject to political control. Its constitutionally guaranteed independence ends when the political or economic interests of key figures with considerable political clout are at stake. Moreover, given that judges are usually appointed by the king himself (although this is usually

Separation of powers

3

Independent judiciary

5

managed indirectly by the palace-appointed Higher Judicial Council), their interpretation of the law is usually in line with the principles that underpin the monarchy. There are three types of courts: civil, special (e.g., military/state security) and religious. In October 2012, a Constitutional Court was finally established, which according to Article 59 of the constitution, “shall monitor the constitutionality of laws and regulations in force and issue its judgments in the name of the king.” Tribal law, though officially abandoned during the 1970s, is still regularly applied on the local level. This narrows the jurisdiction of the state in some fields. Norms of tribal law have also influenced state legislation on a more general level, especially with respect to gender issues and “honor” killings. According to Freedom House, while civilian courts are generally open and procedurally sound, the State Security Court (SSC), a mixed court consisting of civil and military judges, can lack transparency. While recent constitutional amendments significantly decreased the SSC’s scope of jurisdiction, there has been as yet no specific legislation implementing these principles. Opposition groups such as the IAF continue to call for the SSC to be dissolved altogether.

Corruption emerged as one of the central issues during the anti-government protests, and the regime’s token policy of reform included the prosecution of several high-profile public figures. Among these were former Amman mayor Omar Maani, who was released on bail in December 2011; former General Intelligence Directorate (GID) head Mohammed Dhahabi, who received an almost unprecedentedly harsh sentence of 13 years in prison; and former Jordan Phosphate Mines Company board chairman Walid al-Kurdi, who was indicted in 2012. However, officeholders are still not systematically prosecuted under the law.

Informal mechanisms such as *wasta* are a widespread social practice with roots in Jordan’s tribal legacy. Favoritism’s negative effects are regularly subject to public debate. Corruption, favoritism and nepotism were named second, behind regional instability, in a list of important obstacles to democracy in Jordan, according to a survey by the Center for Strategic Studies (CSS) at the University of Jordan. According to a 2011 report by the Anti-Corruption Commission (ACC), which was given to the prime minister in December 2012, the ACC dealt with 714 complaints in 2011 along with 43 cases from previous years, and referred 46 cases to juridical handling. Despite this visible growth in anti-corruption investigations, commentators still point to a lack of tangible political will to conduct substantial and systematic investigations in cases of corruption among public servants and politicians.

The prosecution of security officers using excessive violence during protests has also been selective; after several journalists were beaten by police at a demonstration in July 2011, four police officers were arrested in the course of an investigation. However, calls for the investigation of the alleged torture of detained protesters have as of the time of writing remained unheeded.

Prosecution of
office abuse

4

Civil rights are de jure guaranteed, but violations occur if deemed politically necessary by the king, the government and the security agencies. A number of practical restrictions also exist, particularly in the areas of the freedom of assembly, press freedom, the freedom of expression, defendants' rights and the rights of migrant workers. Human rights organizations such as Human Rights Watch and the Jordanian National Center for Human Rights complain about arbitrary arrests, incommunicado detention, and the use of torture in Jordanian prisons and – a particular problem – in police stations. A number of international NGOs have increasingly pointed to discrimination against female migrant workers who lack Jordanian citizenship rights. In February 2010, Human Rights Watch reported that between 2004 and 2007, approximately 2,700 Palestinian-Jordanian individuals were deprived of their citizenship, although recent news reports have said the government has returned citizenship to about 4,500 Jordanians.

Civil rights
5

Although women have equal political rights, they are discriminated against by some aspects of (Shari'ah-based) family law, particularly in the areas of inheritance, marriage, divorce and child custody. Article 308 of the Jordanian Penal Code allows a convicted rapist to avoid punishment if he marries his victim. A revised personal status law was drafted in April 2010 and adopted by the cabinet in September 2010 in the form of a temporary law. The new law was widely welcomed, but also subjected to severe criticism due to lax restrictions on polygamy. Specific issues raised by women's rights groups during the protests included honor killings, the fact that gender is not included in the constitution as a basis for illegal discrimination, and the discriminatory effects of allowing children to inherit only their father's nationality. In terms of representation, only four out of 52 members of the National Dialogue Committee, formed to oversee the reforms called for by the protesters and opposition, were women. One element of the reform package increased the number of parliamentary seats reserved for women from 12 to 15, though this followed the overall increase in the number of parliament seats from 120 to 150.

4 | Stability of Democratic Institutions

Even though some political actors are directly elected, including the members of the lower house of parliament, members of municipal councils and local mayors (with the important exception of the Greater Amman Municipality), these institutions exercise only limited political power. Within the constraints given, electoral institutions are in principle able to fulfill their duties. However, the executive branch and especially the king are overwhelmingly more powerful than elected state organs, a state of affairs ingrained in the 1952 constitution. In addition, powerful parallel executive institutions exist which respond directly to the crown's wishes (in particular, the Royal Hashemite Court). Overall, the authoritarian features of the political system clearly outweigh its democratic elements. Although some reforms

Performance of
democratic
institutions
2

were pushed through in the course of the protests during the period under review, there has not been any significant change in the performance or powers of democratic institutions.

Existing democratic institutions are accepted at a superficial level. Given the overarching tradition of informal rule and decision-making, as well as the dominant position of the king as a neo-patrimonial leader, it is questionable whether acceptance of the existing democratic institutions has been internalized by the Jordanian elite in any significant way. This was not changed greatly by the protests, since the democratic-minded reformers were offset by the loyalist, mostly tribal conservatives. The carousel of prime ministers (from early 2011 until the moment of writing, there have been five: Samir Rifa'i, Marouf Bakhit, Awn Khasawneh, Fayez Tarawneh and Abdallah Nsour, who resigned after the elections in 2013 to let the new parliament choose its new prime minister) and the slight changes to the constitution and the controversial electoral law demonstrate that major elements of the political system have been and continue to be manipulated to fit the monarch's perceived needs. The IAF's boycott of the January 2013 parliamentary elections will further weaken the credibility of the body. Protesters have no clear consensus as to what they regard as legitimate institutions. While repeated calls for the firing of various prime ministers were vocal and prominent, thus indicating a belief in the responsibility and powers of this position, there was also heavy criticism of the electoral law, which is seen as unacceptable by most of the opposition.

Commitment to democratic institutions

2

5 | Political and Social Integration

Jordan's party system is underdeveloped and weak. The IAF is the only political party with significant popular support. Leftist, communist, Ba'thist and secular-nationalist parties lack grassroots support within Jordanian society. Professional organizations often take on a functionally equivalent role. In addition to the presence of independents, several tribal organizations that call themselves parties remain influential within the parliament, but lack programmatic clarity. These entities are regularly reconfigured by influential political figures, who build ad-hoc coalitions to use the tribal networks' influence to protect the flow of resources toward local constituencies. Some of them formed national lists to be eligible for the newly introduced national-level ballot in the 2013 parliamentary elections. On this new ballot, 61 national lists competed in 2013 for 27 of the 150 parliamentary seats. Therefore, the national vote was very fragmented, with the largest party (a moderate Islamist party, al-Watan) winning just three seats (in addition to 14 seats won via the district ballot), and most others gaining only a single seat.

Party system

2

Large numbers of citizens cast their votes according to tribal and kinship affiliations, a phenomenon structurally favored by the electoral law. Particularly in interviews with Western media, King Abdullah has frequently cited an intention to form a less

fragmented and stronger party system in Jordan. However, the revised election law continues to be based on the single nontransferable vote, which puts parties at a disadvantage. The new national list will do little to change this, as it is more of a fig leaf than a real electoral-system reform.

On the other hand, the party system has been very much in flux since the beginning of the protests; new mass movements such as Jayeen (“We Come,” mainly an umbrella organization of youth movements) and the National Front for Reform (NFR, led by former prime minister Ahmad Ubaydat and encompassing many nationalist and leftist parties) have not yet institutionalized, and the majority have not yet participated in elections. However, they are attracting a significant following.

At first glance, Jordan seems to have a relatively well-developed network of cooperative associations, although these are mainly concentrated in Amman, the country’s capital. In addition, a number of influential informal networks exist. These networks, largely based on kinship and clientelistic ties, wield influence directly through members of the government, the Royal Hashemite Court, the intelligence service, parliamentary deputies or other influential figures. Associations’ freedom of action is limited due to increasingly strict laws. Trade unions have very limited power. The most influential groups are the 12 professional associations, often dominated by figures close to the Muslim Brotherhood (especially the important engineers’, lawyers’ and doctors’ associations). These organizations have represented the backbone of opposition to successive governments. Their main focuses of criticism have been the government’s positions toward the Palestinian-Israeli conflict, Jordan’s support of U.S. foreign policies (except during the Gulf War of 1990 – 1991) and the implementation of liberal economic reforms. Major attempts by the government to restrict the activities of professional associations further were prevented numerous times in recent years by the coordinated resistance of the entities concerned. Professional associations also played a major role in the widespread demonstrations that erupted at the beginning of 2011. These events also included a number of other interest groups and social movements distinct from the partially co-opted opposition of previous years. This was primarily youth movements gathering under the umbrella of Jayeen (“We Come”), but also included new opposition organizations such as the National Front for Reform (NFR) led by experienced politicians calling for more significant reforms. Tribal councils, tribal youth groups, and teacher’s and veteran’s associations also grew more vocal during the protest. Although there is some degree of cooperation between the different opposition groups, they are generally very fragmented, lacking cohesion.

A small fringe group with increasing influence consists of radical Salafists who demand that prisoners arrested for terrorism be freed. This group clashed violently with police during a protest in Zarqa in April 2011. Jordanian Salafists were allegedly even involved in a major terrorism plot uncovered by secret services in 2012.

Interest groups

5

Overall, there is an absence of reliable data on Jordanian perceptions of democracy, but certain studies exist. A 2012 poll by the International Republican Institute (IRI) demonstrated that Jordanians hold a high level of suspicion toward political institutions, with most viewing parliament, politicians and state officials as the most corrupt. However, 57% said they would vote in the elections, as compared to only 27% who stated they would abstain. Fully 79% expressed a lack of trust in political parties. The 2011 IRI poll showed that only 11% of those surveyed approved of the government's performance, and only 3% approved of parliament's work. A slight majority believes in the fairness of the police and judiciary. According to a spring 2012 Pew Center survey, 61% of Jordanians agree that "democracy is preferable" to authoritarian rule, a lower share than in Lebanon (84%), Egypt (67%) or Tunisia (63%). This was also significantly lower than the 72% share that agreed with the statement in 2011. Jordanians also prefer a strong economy (61%) over a good democracy (33%). More positive are results from a 2012 opinion poll by the Doha-based Arab Center for Research and Policy Studies; according to its findings, 33% of Jordanians "strongly agree" and 46% "agree" with the statement that "in spite of having its problems, a democratic system is better than other systems," hence showing that almost four-fifth of Jordanians are supportive to democracy.

Approval of
democracy
n/a

However, it must be said that such studies tend to disregard the strong influence of tribes, which are generally conservative and suspicious of "new" and "Western" ideas such as democracy.

A considerable number of civil society organizations exist in Jordan. However, absolute numbers alone should not let this sector be construed as an effective tool of societal self-organization, as many of these groups are so-called RONGOs (royal non-governmental organizations) and thus created and maintained by the royal family.

Social capital
5

Tribal kinship and personal relations still constitute the main reference point for social organization in Jordanian society, and serve as the main focus of solidarity. This also intensifies the Transjordanian-Palestinian divide in society. Individual engagement is mainly confined to the upper-middle class, and is restricted to Western Amman, the affluent part of the country's capital. Islamist movement activities take place under the auspices of the Islamic Center Charity Society, the biggest Muslim Brotherhood-related social umbrella organization, which runs kindergartens, schools, community centers and hospitals throughout the country.

However, the frequency of social protest during the period under review has led to some sense of national Jordanian solidarity among the most politically active participants.

II. Economic Transformation

6 | Level of Socioeconomic Development

Question
Score

In the updated 2011 Human Development Index (HDI), Jordan was assigned a value of 0.698 (rank 95 out of 187 countries and areas). This was only a small improvement as compared to previous years (although a direct rank comparison is not possible due to a change in methodology after 2010). However, between 1980 and 2011, Jordan's HDI value increased by 29%, with an average annual increase of about 0.8%. Jordan is well above the average for countries of medium human development, and is above the average of Arab states. The same is true for its performance in the Gender Inequality Index (rank 83 out of 146 countries). Women, though overrepresented among university students, still face higher hurdles than men when seeking entry into the labor market.

Socioeconomic
barriers
4

The share of the population living on less than \$2 a day has decreased to 1.6% (from 3.5% in 2006), while according to the most recent poverty report published by the Department of Statistics (July 2010), the percentage of Jordanians living below the poverty line slightly increased from 13% in 2006 to 13.3% in 2008. About 19% of the rural population is classified as poor. The most recent Gini coefficient was 35.4 (2010), indicating a small increase in income inequality as compared to previous levels. A detailed study conducted by the Amman-based Center for Strategic Studies (CSS) has shown that the economic reform programs implemented since the early 1990s led to no significant improvement in living conditions, which have in fact deteriorated since 2008 due to rising food prices. This issue was a key factor driving the protests that erupted in early 2011 and continued throughout the review period. Overall, these official figures are likely to be somewhat approximate, since they take into account neither the relatively large numbers of non-passport-holding residents of Palestinian and Iraqi descent, nor the Egyptian and Southeast Asian guest workers. Among those groups, poverty figures can be expected to be much higher, but reliable and comprehensive data do not exist. Since 2011, the number of Syrian refugees pouring into Jordan has also increased, further straining Jordan's resources.

Economic indicators		2009	2010	2011	2012
GDP	\$ M	23820.0	26425.4	28840.2	31243.3
GDP growth	%	5.5	2.3	2.6	2.8
Inflation (CPI)	%	-0.7	5.0	4.4	4.8
Unemployment	%	12.9	12.5	12.9	-
Foreign direct investment	% of GDP	10.1	6.2	5.1	-
Export growth	%	-3.7	24.2	-5.0	3.7
Import growth	%	-6.3	-3.4	-3.5	3.9
Current account balance	\$ M	-1243.7	-1882.3	-3468.5	-5693.7
Public debt	% of GDP	64.8	67.1	70.7	79.6
External debt	\$ M	14427.1	16736.6	17633.8	-
Total debt service	\$ M	721.2	779.5	932.6	-
Cash surplus or deficit	% of GDP	-8.9	-5.6	-6.8	-
Tax revenue	% of GDP	17.0	15.9	15.0	-
Government consumption	% of GDP	21.9	20.5	19.9	16.5
Public expnd. on edu.	% of GDP	-	-	-	-
Public expnd. on health	% of GDP	6.7	5.6	5.7	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	5.8	5.1	4.6	4.6

Sources: The World Bank, World Development Indicators 2013 | International Monetary Fund (IMF), World Economic Outlook 2013 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2013.

7 | Organization of the Market and Competition

In recent years, Jordanian politicians have put strong emphasis on market-based competition, at least within the context of public rhetoric. The country has long been one of the least regulated economies in the Arab world. While fixed to the dollar, the Jordanian dinar is today freely convertible, and trade and capital-account restrictions are minimal. The overall business climate has improved considerably in recent years, as shown by the Heritage Foundation's 2013 Index of Economic Freedom. This report numbers Jordan among the moderately free countries, at rank 32 (out of 179 countries). However, the country's main large-scale businesses and trading companies are intimately connected to the palace or to members of the core elite.

Market-based
competition

5

Many enjoy oligopolies or even a monopoly within their respective segments. The influence of the state sector is still high (government spending comprises 33.2% of total domestic output). Even though some large state enterprises have been privatized since 2006, several (state) monopolies in the fields of transportation, mineral extraction and oil refining persist. Since early 2008, gasoline prices have been centrally determined and adjusted on a monthly basis by an interministerial committee according to changes in oil prices on international markets. During the recent world economic crisis, the government established a company in cooperation with the armed forces tasked with importing basic foodstuffs and distributing them at below-market prices. Official data on the informal sector do not exist; however, a Jordanian study conducted with assistance from UNDP recently held that the informal sector employs as much as 44% of the national labor force.

In August 2002, the king approved the first competition law in an Arab country as a temporary regulation. Parliament endorsed it in 2004. On paper, this measure prescribes price setting in accordance with market rules, and establishes the principle of free competition. In addition, a special court was founded to deal specifically with competition matters, and the Competition Directorate was created within the Ministry of Industry and Trade to implement the law. According to its last annual report, 64 complaints and requests were studied and partially referred to courts in 2010, although there is no systematic evidence available indicating the degree to which anti-monopoly rules have been enforced. As in many other Islamic countries, annual press reports reveal heated debates about rising prices before and during Ramadan, which points to a persistent competition problem within domestic food markets.

Anti-monopoly
policy
6

At the end of 2010, the government announced new plans to liberalize the country's oil sector by 2015. In late November 2012, just after riots ignited by an announced removal of fuel subsidies shook the country, France's Total and Jordan's Manaseer were granted licenses to distribute fuel, thus becoming Jordan's first private-sector fuel suppliers. Although the effect of these policy shifts on prices was not yet clear by the end of the review period, Prime Minister Nsour assured the Jordanian population that cash payments would compensate 70% of Jordanians for the effects of potential price increases.

Foreign trade regulations have been largely liberalized. Jordan's weighted average applied tariff rate was 3.9% in 2009, well below the average rates of most other Arab states, even though some non-tariff barriers such as border delays, licensing agreements and quality controls remain in place, hindering the free flow of commodities. In 2000, Jordan joined the WTO and received its first, generally affirmative review in 2008. It signed free trade agreements with the United States in 2000 and the European Union in 2001. The country is also a member of the Greater Arab Free Trade Area (GAFTA) and the Agadir Process, and since 2008 has concluded a variety of free trade agreements with a number of additional countries. In 2010, Jordan signed an agreement creating a free trade area with Turkey, Syria and

Liberalization of
foreign trade
8

Lebanon that later had to be cancelled due to the onset of the Syrian civil war and the disruption in Turko-Syrian relations.

After the 1994 peace accord with Israel, qualified industrial zones (QIZ) were introduced (at the time of writing, there were 13 altogether) that provided exclusive access without tariffs or quotas to U.S. markets for joint Jordanian-Israeli products. Although the cooperation with Israel drew heavy criticism and initially triggered boycotts, the program was generally successful in boosting U.S.-Jordanian trade and job creation, although most workers in QIZ are foreigners.

Jordan's banking sector and domestic capital markets are well developed, differentiated, internationally competitive and in compliance with international banking standards. The Jordanian banking sector accounted for 11.6% of GDP at constant prices in 2011. Most banks have reported a positive profit rate in recent years, and the sector as a whole has shown positive net income growth since 2011, though profits fell temporarily by up to 30%. The bank capital-to-asset ratio has been comparatively stable over the last several years (reaching 10.8% in 2011), with the total volume of required reserves being JOD 1.07 billion. The consolidated balance sheet of licensed banks rose from JOD 14.15 billion in assets in 2000 to JOD 37.69 billion at the end of 2011. The Arab Bank, one of the largest private financial institutes in the Middle East, dominates the domestic banking sector, accounting for about 24% of the country's total banking assets. In 2011, it became the first Jordanian-based bank to produce a sustainability report checked by the Global Reporting Initiative (GRI). In addition, there are 12 other commercial and investment banks, three Islamic banks and 10 foreign banks operating in Jordan. The government controls four additional special credit institutions. An anti-money-laundering law has been enacted (with two convictions made under its terms between 2010 and 2011), and Basel II standards have been implemented. Though the level of nonperforming loans has risen in the last few years (reaching 8.5% in mid-2011), the Jordanian banking system weathered the global economic crisis relatively well. This was largely due to the central bank's relatively strict supervision and the government's banking deposit guarantee (prolonged until the end of 2010), as well as the reduction in key interest rates by the Central Bank of Jordan (CBJ) and the lowering of banks' reserve requirements. Policy interest rates were raised again in May 2011 and February 2012, and deposit rates were lifted by 50 basis points in May 2012 in an attempt to buttress the dinar.

Banking system
9

8 | Currency and Price Stability

Maintaining a stable and appropriate inflation rate and retaining the convertibility of the dollar-pegged Jordanian dinar are among the publicly avowed goals of Jordan's macroeconomic policy. The CBJ is the main institution responsible for these aims. It is an independent institution, maintaining its autonomy even in potential crisis

Anti-inflation /
forex policy
9

situations, as developments during the economic crisis showed. The fixed exchange rate is at an appropriate level according to IMF assessments. Foreign currency reserves are high enough to offset short-term pressures on the dinar even though they have declined 14.1% since 2011's record-high levels. Inflation was highly volatile after 2008 (14.9% in 2008; -0.7% in 2009; 5.0% in 2010) because of changing international prices (not because of excessive domestic demand), but has leveled off since 2010 (4.4% in 2011 and mid-2012, 4.8% at the end of 2012). The lifting of fuel subsidies may cause this figure to surge again. The CBJ employed anti-inflationary measures including increases in its rediscount and repurchase agreement rates; however, low money-supply growth also alleviated inflationary pressures. Adjustment costs on the household level were to some extent contained by public-sector wage increases, the distribution of cash assistance payments to small farmers and poor families, and compensation payments for families particularly affected by the removal of fuel subsidies. The Economist Intelligence Unit expects a more concerted anti-inflationary strategy from early 2015, in concert with expected rate increases on the part of the U.S. Federal Reserve bank.

External observers retain confidence in the prudence of Jordan's macroeconomic policies, as for instance demonstrated in the IMF staff report for the 2012 Article VI consultations, which states that macroeconomic policy implementation was broadly in line with staff recommendations in 2010. Nevertheless, major challenges remain, relating first to the economy's vulnerability to international price oscillations and external shocks, and second to pressures exerted by domestic interest groups. The subsidization of major basic commodities, including gasoline, has put extraordinary pressure on the state budget over the last decade. This pressure has now been partially passed to the public in the form of rising gasoline prices and the removal of the fuel subsidies in November 2012, which triggered an unprecedentedly violent uproar. In addition to seeking to reduce the portion of the fiscal burden attributable to state subsidies, successive governments have expanded indirect taxation levels. Direct tax revenues are still low compared to OECD countries. Financing needs for 2011 were met by borrowing from the domestic banking system, a drawdown of international reserves and an influx of foreign aid from various countries. Despite the fact that annual budget deficits again reached double digits in 2011 (12.7%) and 2012 (11.6%) – although this data, taken from the Economist Intelligence Unit, does not include grants – bringing the budget closer toward balance remains a key government goal. Net public debt increased to 59.4% of GDP in 2011 and 62% in 2012. Despite higher than expected grants, the overall fiscal deficit widened to around 6% of GDP, and the debt-to-GDP ratio increased to 65% by the end of 2011. Some progress has been made thanks to a tax reform implemented as a temporary law in 2010. This resulted in rising revenues and further reforms of the tax system, such as the removal of inefficient tax exemptions, a revamping of property transfer fees, and higher tax rates

on luxury goods. The National Economic Reform Program, announced in December 2012, includes tax and expenditure reforms and has been reviewed by the IMF.

9 | Private Property

Property rights and the regulation of the acquisition of property are well defined and widely respected. Jordan is a signatory to the Paris Convention for the Protection of Industrial Property and a member of the World Intellectual Property Organization. The government has reformed regulations so as to bring them in line with international standards, as the implementation of legislation on intellectual property rights (IPR) demonstrates (most recently in 2010). Compliance with IPR has been monitored effectively by a state agency in recent years, and has hence improved. Some restrictions on property acquisition by foreigners in sectors such as land, transportation and security remain in place. The 2012 International Property Rights Index ranks Jordan ninth out of 18 countries in the Middle East and North Africa (MENA) region, and 49th out of 130 countries worldwide, representing a very slight decline from 2011. The Heritage Foundation's 2013 Index of Economic Freedom shows an upward tendency regarding property rights.

Property rights
8

Private companies represent the backbone of Jordan's economy. Though leaders have paid lip service to the privatization of state-owned companies since the mid-1980s, privatization started to accelerate only in the late 1990s. After an initial burst of activity, the pace quickly slowed, picking up again only in recent years. In 2005, the telecommunications sector as a whole was opened up to private investors, making Jordan's cellular market the most competitive in the Arab world as assessed by the Arab Advisers Group. In 2006, the government sold its stake in the Jordan Telecommunications Company. In the same year, a 35% stake in the Jordan Phosphate Mines Company was sold to the Brunei Investment Agency. In 2007, a number of electricity companies and 71% of the national air carrier (Royal Jordanian Air) were sold to various foreign investors. Since that time, the pace of privatization of remaining state assets has slowed considerably, and the issue is today a topic of heated debate within the country. Former Prime Minister Awn Khasawneh promised a "thorough and comprehensive" review of the privatization process in December 2011; however, he resigned before making good on his promise. In January 2013, the government announced the formation of a committee to review all privatization deals since 1989. Most recently, the government announced plans to liberalize the state-owned oil sector gradually through 2015, a process which will end the 50-year-old Jordan Petroleum Refinery Company's (JPRC) monopoly. In a first stage, four private companies will be allowed to take over 25% of the market. In late November 2012, France's Total and the Jordanian Manaseer were granted licenses to distribute fuel, thus becoming Jordan's first private-sector fuel suppliers.

Private enterprise
7

10 | Welfare Regime

Jordan's social safety net is only partly developed and remains considerably fragmented. About 30% of citizens lack health insurance coverage, while a general social insurance program is provided for employees in the formal sector. The military has its own social security system, and in combination with the public sector provides for 61% of the country's hospital beds. Palestinian and Iraqi refugees are supported by international organizations, mainly affiliated with the United Nations. International grants are the main sources of financing for facilities and support for the (as of January 2013) more than 350,000 Syrian refugees in the country. However, the government and the king not only have a strong commitment to key social groups in the public sector and the security forces, but also toward poorer elements among the country's rural Transjordanian citizens. For instance, they have eagerly supplied major parts of the population with basic foodstuffs at prices well below world market levels in recent years, and have provided health cards, free school meals and winter coats for primary-school children. As part of the welfare regime, public-sector wages, military payments and pensions have been regularly increased, most recently after the wave of protests beginning in 2011 – many of which were focused on low wages and high prices. Recent cuts were reversed, and fuel subsidies were reintroduced only to be abandoned again amid heavy public uproar; however, cash compensation payments aimed at mitigating the surging prices were also announced.

This vast provision of public welfare is unsustainable given Jordan's comparatively scarce resources; thus, the government has also tried to limit budgetary expenditures in this field by linking public-sector wages to inflation rates and increasing the early retirement age. Jordan's public sector also cooperates with the private sector, primarily NGOs, to spread the financial burden. Large parts of the Palestinian population, on the other hand, even those who hold Jordanian citizenship, are excluded from this support. Poverty is widespread among this group, as well as among Iraqi refugees. Extended family networks complement the public provision of services. On the whole, Jordan's social security system is more developed and effective than that of other countries in the region. According to a Gallup poll performed for the 2012 World Bank Report on Social Safety Nets (SSN) in the MENA region, 66% of Jordanians stated that government was at least somewhat effective at providing social assistance to the poor, more than in any other surveyed MENA country. In the 2008 – 2011 period, about 5% of Jordan's GDP was spent on subsidies and other SSN programs, a little less than average for a MENA country. The majority of this money, however, was spent on the now-discontinued fuel subsidies. Jordan still has the region's highest number of SSN programs (18), including cash transfers, microcredit activities, and education and health benefits, among others.

Social safety nets

5

The government makes some official efforts to compensate for gross social differences. There is no discrimination on religious grounds in education or in the public sector. Certain disadvantaged groups enjoy some forms of state support, such as university applicants with a Bedouin background, for whom an affirmative action policy exists. The representation of women in higher education is equal to that of men, and over half of Jordan's university population is now female. However, the percentage of women in the workforce remains low (18.5% of women above 15 years of age, according to the Jordanian Department of Statistics) and the unemployment rate for females is almost twice as high as that for males, implying that women do not enter the labor market in numbers corresponding to their achievements in education. This might point to a continuing lack of efficacy of official campaigns and efforts in this area. A quota for women and some ethnic and religious minorities ensures representation for these groups in the lower and upper parliamentary houses. With the revision of the electoral law in June 2012, the number of seats reserved for women was raised from 12 to 15, although the overall number of seats was also raised from 120 to 150, so the quota remains at 10%. In the 2013 parliamentary elections, a record number of 17 women gained directly elected seats in the lower house (two more than the quota), and two additional women appeared to have a chance of winning seats through the party lists.

Equal opportunity
5

Labor market access is still dominated by kinship and family ties. In addition, a number of informal mechanisms play an overarching role. Palestinians are largely excluded from obtaining public sector employment or from joining the ranks of the army. However, they dominate the private sector, but also often work in the shadow economy.

11 | Economic Performance

Inflation-adjusted economic growth slumped in 2010 (2.3%), and rose slowly in 2011 (2.6%) and 2012 (2.7%). Projections forecast steady growth at roughly this level, which is well below levels reached during the 2004 – 2008 period. Official unemployment rates are in the double digits (12.5% in 2010, 12.9% in 2011), while unofficial sources estimate true levels to be around 30%. Unemployment is widespread, especially among young Palestinian-Jordanians. Independent reports show that poverty levels did not decline following the implementation of structural adjustment programs in the early 1990s. The budget deficit peaked during the period under review, reaching 12.7% in 2011, although it declined again slightly in 2012 to 11.6%. The fiscal deficit and debt-to-GDP ratio both worsened in 2011 and 2012, and the trade balance remains highly volatile (rising by 20% from 2010 to 2011), although foreign currency reserves are high enough to buffer short-term fluctuations. A large shadow economy still exists, and is estimated to account for 20% to 25% of GDP.

Output strength
6

12 | Sustainability

Environmental issues are taken into account at the institutional level, but are generally subordinate to economic concerns. Jordan ranks a low 117th out of 132 countries in the Environmental Performance Index. In December 2002, the government established a Ministry of the Environment, which remains part of the cabinet portfolio today. Air and water pollution are well-known phenomena in regions with high concentrations of industrial enterprises, including the industrial zones in Zarqa and Ruseifa, the Gulf of Aqaba, and the Jordan valley. Water mismanagement in the agricultural sector has contributed to a drastic decline in national water resources, which overwhelmingly come from the Jordan River. This is not only due to Israeli water usage, but to a large extent also due to the misuse of water by a number of influential Transjordanian families with close ties to the king and the government. In 2011, the Ministry of Water and Irrigation announced projects aimed at limiting agricultural water use. The scarcity of water is one of the country's central environmental issues, with increasing relevance for Jordan's economic and demographic development. The country is already among the world's five poorest in terms of water resources. Jordan's National Energy Strategy of 2007 – 2020 targets an energy mix of 10% renewable energy by 2020, and the country has adopted renewable energy laws and policies designed to attract investment in the area, the most important of which has been the renewable-energy law of 2010. The country has plans for a nuclear reactor, with hopes of completion by 2019, though financing of the project remains unclear. A new natural-gas-fired power plant in Qatranah was inaugurated in February 2012, and the government has sought to attract investors for desalination facilities by providing project support.

Environmental
policy
4

Jordan ranks high both internationally and in the Arab world in terms of access to and quality of education. The adult literacy rate (the percentage of literate individuals aged 15 or older) between 2005 and 2010 was 92.2%. Youth illiteracy is almost nonexistent, and the enrollment ratio for tertiary education in 2011 was about 40%. The UNDP 2011 Human Development Report rated Jordan's university-level teaching and learning opportunities as "generally strong." However, according to a USAID report, just 3.8% of GDP was spent by the government on education (representing 12.7% of the government budget), although education expenditures have grown at a slightly higher rate than total government expenditures over the past decade. Data from 2008 indicates that higher education received expenditure totaling 1.54% of GDP, which is low compared to OECD and other middle-income countries. The volume of transfers to universities has significantly declined since 2002. No data on national R&D spending is available, but press reports suggest that spending levels are low. The Ministry of Higher Education and Scientific Research's (MOHESR) 2011 budget represented about 9% of total education spending. Private schools outperform state-run schools at the primary and secondary education levels, but

Education policy /
R&D
6

several reports have stated that – somewhat surprisingly – state-run universities provide better service than their private competitors. The truth of that assessment cannot be either proven or dismissed here. To be sure, the demand for higher education at the country’s state-run and about 20 private universities has grown steadily. The idea of Jordan as a “knowledge-based economy” was cited frequently by the government over the last decade. Overall, Jordan’s policy of relatively widespread education has successfully helped citizens to obtain professional jobs in the oil-rich Arab Gulf countries.

Transformation Management

I. Level of Difficulty

Structural constraints on governance are high. Jordan's domestic market is small; the country is largely landlocked, with only minimal access to the Red Sea at the Port of Aqaba. It struggles with scarce water resources and periodic droughts. Large parts of the country are comprised by what is effectively wasteland or desert soil. Only small stretches within the Jordan River valley are usable for agricultural production. Urban areas, which are home to more than two-thirds of the country's inhabitants, are highly concentrated in the north. Poverty rates, especially among Palestinians and in rural areas, remain high. Many of the best-educated individuals in the labor force seek jobs in the oil-rich Gulf countries, causing periodic problems in finding enough professionals to fill jobs in the domestic economy and public sector. Informal mechanisms of favoritism prevail within the political and economic spheres. While the military and public sector are dominated by Transjordanians, most Palestinians work in the private sector or the informal economy. Because of its geostrategic location, Jordan is highly affected by events in neighboring countries. During the period under review, the events following the outbreak of the Arab Spring and the escalation of the conflict in Syria added further constraints.

Structural
constraints

7

Civil society traditions are weak in Jordan. The number of registered NGOs or civil society organizations (CSOs) has increased tremendously since the beginning of the political opening in the early 1990s, and the International Center of Not-for-Profit Law (ICNL) has estimated their number to be about 2,000. However, strict legal requirements are imposed on civil society organizations, and the rise in their numbers primarily represents an upgrading of traditional forms of co-optation, interest articulation, the seeking of symbolic legitimacy, and competition for domestic and international resources. Some of the most important organizations conducting development and welfare projects among the poorer segments of the society are connected to the royal family, and these royally or government-organized NGOs (respectively known as RONGOs and GONGOs) are said to dispose of the sector's biggest budgets and to have the widest margin for political maneuvering. Many of the remaining civil society organizations are structured around kinship or clientelistic relationships, most often dependent upon a single figure or the support of one family. The only vital grassroots organizations are professional associations dominated by

Civil society
traditions

6

Islamist actors, which have represented the primary opposition to a number of government policies for the last 20 years. However, here again, the regular protest activity during the period under review has started to lead to a rejuvenation of public life and civic protest culture, as regular sit-ins, council meetings and protests are conducted by a variety of different groups.

Significant levels of anti-government protest began at the beginning of 2011, inspired by the events of the Arab Spring. A variety of groups, ranging from youth and tribal to Islamist and professional affiliations, demonstrated in favor of a wide range of political, social and especially economic demands. Protests were fairly regular through the review period, mostly on a weekly, though sometimes even on a daily basis. There have been few violent escalations, although those had extensive impact. The first such escalation occurred on 24 March 2011, when one Islamist activist died during a clash of protesters with loyalists and riot police. After the protest activity calmed down for most of 2012, it came back with a vengeance when government announced it would rescind of fuel subsidies on 13 November 2012. Several days of intense protest followed, including acts of violence on a scale not seen in Jordan for years. Guns were fired into the air, tires were set on fire, two police stations were stormed, and protesters even attempted to storm the residence of Prime Minister Abdallah Nsour. The events eventually resulted in two casualties. These demonstrations also marked the first occasion when protesters' slogans called for the fall of the regime as opposed to the usual moderate reform formula. Subsequent demonstrations returned to calls for reform, and were without violent incidents. Vandalistic and criminal acts also occurred during demonstrations, with their connection to the social and political protests less clear-cut. Apart from political (focusing on reform of the election law, restraining of the king's powers, etc.) and economic grievances (fuel subsidies, food prices, wages, etc.), the Transjordanian-Palestinian division represents the primary fault line producing significant societal polarization. This also overlaps with the political, social and economic demands, as conservative Transjordanians have portrayed protesters as Palestinian agents or radical neoliberals following their own anti-Jordanian agenda. Some of the youth opposition movements in particular, however, have gone to great lengths to express pan-Jordanian unity and cooperation. The election law, even in the revised form implemented during the parliamentary elections of January 2013, clearly discriminates against the urban areas that are home to most of the country's Palestinians.

Religious conflict is almost nonexistent, although an increase in the number of radical Salafists can be observed in recent years. On one occasion in April 2011, a group of Salafis armed with swords and daggers clashed with police and government loyalists in Zarqa.

Conflict intensity

5

II. Management Performance

14 | Steering Capability

Question
Score

Prioritization
4

While the government, and especially the king, pursues an avowed long-term goal of economic reform aimed at the establishment of solid economic growth and stability, true democratic reform is not on the agenda, although incremental political reform has been implemented especially in the last two years. On a general level, the maintenance of power remains the overarching goal of the monarch and his entourage. Opposition forces have long agreed on the necessity of major political reforms, including amendments to the electoral law, the establishment of a constitutional court and an increase in parliamentary power. These and other reforms have been elements of the regime's national campaigns such as the Jordan First (al-Urdun Awallan) initiative in 2002, the National Agenda in 2005 and the We All Are Jordan (Kulluna al-Urdun) program beginning in 2006. The mass protests in other Arab countries and the toppling of presidents in similarly resource-poor and pro-Western Tunisia and Egypt had political ripple effects in Jordan. In addition to intensifying protest activities in different parts of the country, especially in Amman, they helped bring the necessity of clearly democratic reforms prominently back into social view. To some extent, the subsequent reform agenda looks impressive at first glance – King Abdullah II heeded protesters' calls by replacing prime ministers four times in 2011 and 2012, setting up a national committee on political reform, creating an independent electoral commission and the long-called-for constitutional court, revising the controversial electoral law by enlarging the parliament and introducing a second ballot for national party lists, and by passing numerous other laws and revisions. However, the sheer quantity of reforms has to a large extent been a cover for their minimal influence and minor significance with respect to genuinely curtailing state power.

Addressing corruption is often identified as a priority by the government, electoral candidates and the general public, and several high-profile cases have in fact been prosecuted in the last few years. However, there is still no comprehensive or all-encompassing fight against corruption in the country.

External dependency remains substantial. Large parts of Jordan's budget are funded by direct aid and soft loans given by major international and regional powers. Multiple attacks on the pipeline bringing oil from Egypt to Jordan raised fuel prices heavily during the period under review. While rising levels of Arab aid are related to intra-Arab rivalries and the maintenance of the regional status quo, Western and multilateral aid is conditional upon political liberalization, free-market economic

reforms and the enhanced efficiency of the administrative bureaucracy. However, even if official project evaluations accentuate the achievements of implemented donor projects, progress in many areas has in fact been slow, as a number of detailed reviews of aid-funded projects has revealed. This highlights the Janus-faced reality of externally funded reforms in Jordan: Much is promised in order to get much, but implementation is slow, ensuring that little is changed.

Even though a number of democratic reforms have been announced, and the term as such is regularly part of the official rhetoric of the king and his advisors, there has as yet been no real democratization of the Jordanian political system. While there have been some steps toward reform and political liberalization, as with the revision of the electoral law, the abandonment of the king's power to appoint the prime minister directly and the softening of restrictions on public assembly rights, there have also been setbacks, including new restrictions on media that since August 2012 have also encompassed the Internet. At the same time, the implementation of these public policies by the government can be considered to function across the country and its different governorates.

On the surface, reforms aimed at establishing a market economy have been successful. Trade and capital-account regulations have been liberalized, large state companies privatized, and subsidies cut and refocused away from flat payments to cash assistance for the most needy. In addition, macroeconomic policies, heavily influenced by the central bank's duty to keep the fixed exchange rate relative to the U.S. dollar stable, have been successful in providing economic stability to the whole economy. However, structural problems persist, and remain unaddressed by the government. A number of oligopolies remain, as do barriers to access for prospective new actors in various economic sectors. Moreover, the existing competition legislation does not seem to have been enforced equitably at all times. Income differences within Jordanian society remain high and have increased since the dawn of the new millennium. Reforms cutting into the vast welfare state, while necessary to comply with IMF demands, have produced substantial popular opposition, especially on the part of conservative tribal loyalists whose voices cannot be ignored by the regime. These elements are also often very critical of any political opening process, as it would diminish their influence. The rejection of reform policies has often been pronounced enough to force their retraction, as was the case with fuel subsidy reforms before November 2012.

The political leadership has rhetorically conceded mistakes and failed policies, but real changes are rare. King Abdullah II's initial reactions to the Arab and Jordanian mass protests that arose in 2011 were – in regional comparison – rather passive, although learning processes did take place and may have prevented the wide-scale escalation seen in some neighboring states, where harsh repression produced a violent backlash. Large portions of Jordan's reform agenda seem to be inspired by the Moroccan example, in which the king introduced a large reform package as unrest

Implementation
4

Policy learning
4

started. While the Arab Spring necessitated a certain flexibility and prompted broader public debate, the government in general enforces its policies without leaving much room for compromise. The political system does not provide for institutionalized forms of conflict resolution. The leadership does not aim for broad formal consensus-building, but relies on informally co-opting the country's key elites in order to achieve its aims. If the decision-making process reaches deadlock, key political elites including the prime minister and the cabinet will be replaced by the king. A large number of families and groups are close to the palace, providing a pool from which the monarch is able to choose, if necessary. What learning from donors and international organizations does take place is largely performed by Western-educated elements within the state bureaucracy (a group that is fairly substantial in size). Some of this can be interpreted as efforts by leading technocrats to keep international support and aid flowing. However, King Abdullah II's foreign policy skills have proven deft enough to adjust and fine tune Jordanian foreign policy to the constantly evolving dynamics of a rather turbulent neighborhood.

15 | Resource Efficiency

Jordan is acknowledged among international organizations and donors to use resources relatively efficiently compared to other middle-income countries. This has been demonstrated by generally positive reviews under a number of programs over the course of the last decade. World Bank data from the Aggregate Governance Indicators for 2011 place Jordan in the middle of the third upper quartile in terms of government effectiveness, although a slight downward trend since 2009 is evident. Though a number of new institutions have been built and reform programs implemented under the guidance of international donors, a number of shortcomings remain. In particular, Jordan's administration is mainly staffed by Transjordanians, who are given preference in hiring as public servants even though Palestinians account for the majority of the country's population. Kinship still plays an influential role within the process of recruiting new state employees. Redundancies in government institutions are so well-known that most of the major national tickets for the 2013 election mentioned the merging and scrapping of some of them as a priority in their agendas. Though the government has tried to increase revenues and curtail expenditures, structural difficulties and rising international prices have led to progressively expanding budget deficits since 2008, forcing a significant reliance on international grants and loans. On the other hand, the government has had some success in improving its efficiency of resource use through its discontinuation of fuel subsidies.

The government has tried to coordinate conflicting objectives and interests, but has been only partially successful in this task. Over the last decade, several capacity-building initiatives linked with public-sector reform strategies have failed, due to the

Efficient use of
assets

7

Policy
coordination

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inability to move forward with a cross-sectoral agenda. This highlights a more general problem of policy coordination. Government agencies usually operate as separate islands, using different information technology systems and failing to establish joint-staff meetings that would allow communication between the various levels of the administrative hierarchy. The central and often only coordinating body is the cabinet, which therefore must address and negotiate even minor issues. There were no major changes with respect to government coordination during the period under review.

A handful of integrity measures have been implemented in recent years, such as state spending audits and new oversight mechanisms for party financing. An anti-corruption law was passed and promulgated in autumn 2006. One year later, the Anti-Corruption Commission (ACC) was sworn in, reporting directly to the prime minister (in 2011, it dealt with 714 complaints and referred 46 cases to the judiciary). Jordan is currently undergoing a review process under the United Nations Convention Against Corruption (UNCAC) Pilot Review program, and a Code of Conduct in the Public Sector was developed in 2006, though this still lacks a proper legal basis. Corruption is perceived as being widespread and commonplace; surveys indicate that it is one of the primary grievances in the country, and some observers have suggested that it has worsened at the highest political level in recent years. Generally, access to government agency information on the part of citizens and media organizations is not comprehensively guaranteed, and the phenomenon of favoritism (*wasta*) is still prevalent throughout society. Samir Rifa'i, who served as prime minister until February 2011, as well as most of his more recent successors, made the battle against corruption a top priority, often citing the king's declared position that "no one is above the law." In 2012, a new wave of prominent corruption prosecutions washed over the country, with tycoon Haitham Dahleh, former GID intelligence chief Mohammed Dhahabi (sentenced to a near-unprecedented 13 years in jail), and Walid Kurdi, an uncle of the king and former chairman of the Jordan Phosphate Mines Company (JPMC), all convicted. Observers pointed to the cases as a signal to elements of the elite that the general public's rising concern over corruption could not be ignored, as well as a token indicating to the public that their demands were being taken seriously. Although these cases have become more recent in the last two years, responding in part to the wave of protests, corruption is still selectively prosecuted.

Anti-corruption
policy
5

16 | Consensus-Building

Major political actors have differing views on the appropriate scope and direction for economic and political reform. Neoliberal market reforms in particular are a thorn in the side of the majority of conservative parliamentarians, as these would negatively affect their primarily rural constituencies. This system-loyal opposition to the

Consensus on goals
6

government's economic reforms in the lower house led King Abdullah II to dissolve parliament in November 2009, two years before the end of its term. The new cabinet (as of the end of 2012), which retains the two main economic ministers as well as support for the \$2 billion IMF stand-by arrangement, signals a commitment to a continuance of the king's market-liberal policy preferences. The ongoing social protests led the king to reconsider his political priorities during the period under review, and to focus even more strongly on appeasing and co-opting prominent members of the country's influential tribal families, while making political concessions to the reform-minded opposition that were significant in quantity but slight in impact. The leadership claims a commitment to democratic reforms as well, but the degree to which major decision makers are motivated to pursue true democratic reform of the country's governing institutions is open to doubt. Still, new political reform-oriented actors have entered the scene, and reform and opposition movements – mainly known as *hirak* (movements) – have formed even in some of the core conservative areas. Political reforms have to date focused on the perpetuation of the status quo. The reform of the electoral law is a prominent example of this tactic, although incremental change is underway and is still possible in the future.

In general, the only forces demanding true democratic change in Jordan are a comparatively small number of mostly urban intellectuals and marginalized groups, along with external actors, although this spectrum has grown substantially wider since the beginning of the protests. None of the relevant political decision makers seems to be interested in establishing a functioning democracy. In spring 2009, prominent Muslim Brotherhood politician Irhayel Gharaibeh started his “constitutional monarchy” initiative, calling for true democratic reform that would include the election of the prime minister and the cabinet. Some constitutional adjustments curtailing the *de jure* powers of the king were also hinted at. This discussion was taken up again by other, non-Islamist opposition politicians in the context of the parliamentary elections of November 2010 and the protests in 2011 and 2012. Since the beginning of the protests, new movements with a more pronounced interest in democratic reforms have formed, most prominently including the youth movement, but also encompassing the National Front for Reform (NFR) led by ex-Prime Minister Ahmad Ubaydat. However, these reformers have very little leverage to co-opt or exclude anti-democratic actors, especially the ruling class and their main support base, the conservative tribes in rural areas. Most of the reformers also boycotted the 2013 elections, thus waiving influence on the parliamentary process.

The political leadership neither reduces existing societal divisions effectively nor actively promotes them. However, the leadership has tried to reduce open and violent conflict through a mixture of repression, favoritism (direct cash handouts) and symbolic gestures (such as the king paying “surprise visits” to neglected areas and families). In recent years, the number of violent incidents involving rival tribal

Anti-democratic
actors
4

Cleavage /
conflict
management
4

families has clearly increased. Most obvious were inter- and in part intratribal clashes in the context of the November 2010 parliamentary elections, a pattern repeated in the 2013 elections when the families of losing candidates clashed with those of the winners. These clashes took place across the country (in Ajlun, Ma'an, Madaba, Mafraq, Karak, Irbid and Salt). Similarly, violence broke out at various university campuses (in Amman, Irbid, Ma'an) in December 2010 in the context of elections for student councils. Further clashes ensued with the heightened protest activity since 2011, which at times also reflected the country's primary Transjordanian vs. Palestinian cleavage. This was expressed through means such as vandalizing local offices of the Muslim Brotherhood, which is seen as a Palestinian interest group. No official conflict-management process addresses the marginalization of Palestinians or the status of Iraqi refugees. In an effort to accommodate and co-opt the opposition before the elections, the king sought a rapprochement with the Muslim Brothers and the Islamic Action Front, offering participation in political boards and committees (e.g., seats in the senate and cabinet posts) and a reengagement with Hamas.

The political leadership frequently ignores the interests of and requests from organized civil society actors, especially concerning political issues. For the most part, policies are formulated independently of this sector. Instead, decision makers seek the approval of selected establishment actors who are invited to discuss reform issues without being given real power. The protests during the review period sparked the formation of a number of new committees, including the Royal Integrity Committee and the Royal Committee on Constitutional Review. This type of committee is usually established by royal decree without parliamentary consultation or approval, and is designed to frame major political reform initiatives for the years to come. For most other issues, the government typically drafts new laws without systematically consulting civil society groups beforehand. Concerned civil society actors might then express their concerns through elected parliamentarians or influential figures. Only in the final stage of law development do groups that have been excluded or marginalized try to lobby the Royal Court on behalf of their concerns, with the aim of influencing the king. The protests that erupted in 2011 put new pressure on the leadership to include other actors, especially from within civil society. This led to attempts at inclusion such as the National Dialogue Committee, established in 2011 and tasked with drafting a new electoral law. It was headed by upper-house President Taher Masri and included leaders of political parties, journalists, government officials and activists, among them three Islamist figures. However, the Muslim Brothers declined to participate. A European Commission press release stated that since the beginning of the Arab Spring, civil society had been encouraged by the Royal Court and the government to take a role in the reform process. A 2012 survey conducted by the Center for Strategic Studies, on the other hand, found that the government's attitude toward civil society organizations (CSOs)

Civil society
participation
3

was confrontational and distrustful, and that three-fourths of CSOs surveyed stated that they had encountered various obstacles to their activities.

The political leadership does not address past acts of injustice and has not initiated any process of reconciliation. The Hashemite monarchy has controlled the state since its foundation in 1921. Its power is to an important degree based upon the division between Transjordanians and Palestinians, with large parts of the latter group treated as second-class citizens in many respects (the exception being the regime-loyal Palestinian business elites). Injustices committed against Palestinians, political opponents, prisoners and migrant workers are neither officially nor unofficially discussed to any satisfactory degree, and victims receive no official compensation. However, the situation was different for victims of police violence during the recent wave of demonstrations. After several journalists were beat up by police in July 2011, the policemen responsible were charged and indicted. Other cases of alleged torture and beatings have not been prosecuted.

Reconciliation
3

17 | International Cooperation

The political leadership has been forced by economic constraints to work closely with the international donor community since the late 1980s. Jordan enjoys a comparatively good reputation in implementing IMF and World Bank macroeconomic programs. With a relatively independent central bank and an exchange rate fixed to the U.S. dollar, the country's macroeconomic management has proved successful both before and during the recent economic crisis. Other externally induced reform projects, such as efforts at public sector reform, have largely failed to show positive results. Jordan has developed special relationships with successive U.S. administrations, which have provided large amounts of military and economic aid directly to the public budget. The European Union, Japan and other bilateral and multilateral donors are at least formally committed to inducing political change; however, even though some good-governance and capacity-building reforms in the area of anti-corruption regulations and e-government have been implemented, effective political change has been slow to emerge. In October 2010, Jordan became the second Mediterranean country (after Morocco) to reach advanced status in its European Neighborhood Policy (ENP) relationship with the European Union. Due to the instability characterizing the region since the beginning of the Arab Spring, Jordan attracted even more funds than usual, especially from the Gulf states, with Saudi Arabia, Kuwait, Qatar and the Emirates committing in December 2011 to provide \$5 billion over five years. However, while most grants are used to fill an ever-expanding budget deficit, there are a number of international cooperation programs directed at longer-term priorities, as for example in the energy and water sectors.

Effective use of
support
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Jordan enjoys a good reputation in the eyes of international donors for its willingness to engage in economic and political reforms. Therefore, Jordan is often portrayed as a “model reformer” and a “very important partner” in the Arab Middle East. Indeed, the European Union’s ENP Progress Report from May 2012 talks of a “quality leap” in the political reform process. Jordan has fulfilled most official reform conditions laid out by the World Bank and the IMF during the course of several structural adjustment programs (the last of which concluded in 2004), as well as by the ENP. Talks on developing closer cooperation are ongoing. The king plays an important role in this respect, as he publicly and informally highlights the country’s need and willingness to implement market-based and democratic reforms. However, failures to do so are often glossed over within evaluation reports; constant reference is made to economic indices, while major structural problems are ignored. The king’s credibility abroad was further boosted by the relative calm in the kingdom compared to the unrest in neighboring countries, as well as by the generally “clean” 2013 elections.

Credibility

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Jordan plays an active regional role within the limits given by its capacities and the political situation. It is a driving force behind a number of regional initiatives for good governance (e.g., anti-corruption regulations and e-government), and the king has been actively involved in seeking a solution of the Palestinian-Israeli conflict. Most recently, Jordan mediated preliminary peace talks in 2012.

Regional cooperation

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Nevertheless, cooperation with regional partners has been made more difficult by the turmoil in Iraq (to the east), in the Palestinian territories (to the west), at the Israeli-Lebanese border and recently to the north in Syria. With regard to Iraq, Jordan has lost its previous close and cooperative relationship with the government in Baghdad, which under Prime Minister Nouri al-Maliki has shifted its focus toward Iran, Syria, Turkey and some Arab Gulf countries as its primary partners. Jordan enjoys good relations with the Gulf countries, and has received large budget grants and foreign direct investments from private and state investors in the region. An invitation to join the Gulf Cooperation Council (GCC) in 2011 was rescinded several months later, but nevertheless signaled support during the protests that affected almost every Middle Eastern country. Jordan’s relations with Qatar are ambivalent. While it is one of the four GCC countries to have pledged Jordan a sum of \$5 billion over five years, the political relationship between the two countries is a wary one. Recently, the Qatari prince indicated that no Qatari funds will be provided until Jordan’s preferential treatment toward Saudi Arabia changes; meanwhile, Jordan’s king has criticized Qatar for its proactive role and support of Islamist and jihadist actors in the violent conflicts in Libya and Syria. Jordan has enjoyed excellent political and economic relationships with Egypt, although the resignation of President Hosni Mubarak in February 2011 and the rise to power of the Muslim Brotherhood introduced tensions, given that Jordan has cautiously sought to contain its own Brotherhood. However, the countries are tied closely together from a structural perspective, and the new

government agreed in November 2012 to compensate Jordan with an increased amount of Egyptian gas via the often-attacked Sinai pipeline. After relations with Syria finally improved and became cooperative, they collapsed after the outbreak of the Syrian conflict and Abdullah's official appeal to Assad to step down. Jordan has nevertheless been careful to stay officially neutral in the conflict and has denied reports that it actively supports the Syrian opposition by through means such as allowing arms smuggling into Syria. Bilateral relations with Iran thawed in late 2010, with reciprocal visits by ministers taking place for the first time in many years, and were intensified as Iran started to reach out further for fear of being shut out of the region if the Syrian regime were to fall. However, any further rapprochement between Amman and Tehran will be dependent on the larger context of Iran's relations with the United States and Saudi Arabia. This was recently demonstrated when Jordan declined an Iranian offer to provide it with free oil for 30 years in exchange for allowing Shi'i religious tourism. The state's officially friendly attitude toward the United States and especially Israel is not shared by the population, and there are regular calls to suspend the peace treaty between the two countries as well as demonstrations in front of the Israeli embassy. With regard to Palestine, Jordanian policy continues to be divided between close coordination with the West Bank-ruling Fatah under President Mahmud Abbas and criticism of Hamas and its dominance of Gaza. The short period of thaw between Amman and Gaza in the second half of 2008 has been superseded again by implicit support for the international policy of blockade. However, 2012 saw a new opening when Hamas leader Khaled Mashaal visited Jordan under Qatari mediation for the first time since the closure of Hamas' Amman office in 1999, an act for which Jordan even issued a formal apology in 2011.

Overall, King Abdullah II seems to have inherited his late father King Hussein's abilities to negotiate the region's tensions largely without being drawn into conflicts on one side or the other.

Strategic Outlook

The turmoil in the Middle East has further constrains Jordan's flexibility with respect to economic policy. The country is heavily dependent on external financial assistance and on the political and economic stability of its regional environment. The slump in tourism and regional trade has produced rising account deficits, mass political protests have put additional pressure on state expenditures, and the volatility of Jordan's regional and domestic situation offers a potentially undesirable risk for investors. While foreign currency reserves are still moderately high and inflation rates have returned to a manageable level, economic growth stagnated at a low level during the period under review, and will probably continue to do so. Budget deficits have been on the rise since fall 2007, and will most likely stay only marginally below double digits for several years to come, even with unprecedented amounts of financial assistance from the GCC, the United States, the European Union and bilateral donors. Thus, the government is in a position where it must either cut expenditures or increase revenues drastically. However, expenditure cuts are likely to provoke further social unrest, as already seen in November 2012. Although drastic cuts might be cushioned by GCC aid, Jordan's increasing dependence on external budget aid (grants) and credit, exacerbated by the tension during the "Jordanian spring," is alarming. Jordan must put more effort into developing its export capacities and domestic production. The introduction of qualified industrial zones (QIZ) after the peace accord with Israel, which provided exclusive access to U.S. markets for joint Jordanian-Israeli products, was a first step in the right direction despite the emergence of problems. This initiative should be followed by more comprehensive improvements aimed at creating an environment in which major parts of the Jordanian economy are able to expand their production capacities. The upgrading of existing export-oriented industrial clusters will also lead to a reduction in domestic unemployment in the long run. Rising energy costs must in the medium term be alleviated by diversification of energy sources and suppliers; achievement of the goals of the National Energy Strategy will be crucial in this regard. Jordan's domestic revenue base should be expanded further. The introduction of the sales and later the value-added tax during the 1990s represented first successful steps in this direction, but should be followed by reforms of the corporate tax and eventually the introduction of a comprehensive personal-income tax system.

Despite all difficulties, King Abdullah II has successfully managed to stay in power, retaining the loyal support of the army and the security forces. However, the regular demonstrations ignited by the mass protests in neighboring countries have still not subsided; indeed, they have to the contrary been refueled by the opposition's frustration with the elections. Especially troubling is the growing criticism stemming from within the traditionally loyal Transjordanian segments of society. Apart from economic reform, a more meaningful political reform must take place. A starting point could be a managed extension of institutional political participation, for instance by extending the powers of the parliament. This might give parliamentarians and their constituencies a stake in the political system apart from mere participation in the allocation of resources. Given the increased

levels of social violence in the last two years, the state organs of repression will keep a tight grip on the security situation, especially in rural areas given the tribal violence following the 2010 and 2013 elections. However, they should continue to avoid heavy repression, which might push the conflict to new and uncontrollable levels. The January 2013 parliamentary elections underlined the durability of authoritarian features in Hashemite Jordan, in that they reaffirmed the influence wielded by more traditional elements of the Transjordanian minority, while Palestinians are again heavily underrepresented within the parliament. Recent attempts to co-opt the Islamist opposition by offering cabinet and senate posts have been rebuffed by the Muslim Brotherhood, enhancing the lopsidedness of political representation. This is an issue of serious concern, as underrepresentation may lead marginalized groups to pursue their interests in extraconstitutional ways in the medium term. Although the first and thus far only sustained calls for an end to the regime resulted from an economic crisis (the abolishment of fuel subsidies in November 2012), frustration with political stagnation also has the potential to trigger unrest. The king and the government should thus seriously consider ways of improving the representation of the majority of Jordanian citizens within the domestic political system.

On the international level, King Abdullah II, quite in the tradition of his late father King Hussein, has demonstrated his ability to work as a regional mediator on varying fronts. He has established himself as a reliable partner for other Arab states, and in particular for major international powers such as the United States who are now, given the Muslim Brotherhood's rise to power in Egypt, even more dependent on Jordan.