

BTI 2016 | Jordan Country Report

	scale	score	rank	trend
Status Index	1-10	5.09	# 78 of 129	
Political Transformation	1-10	4.03	# 88 of 129	➔
Economic Transformation	1-10	6.14	# 45 of 129	➔
Management Index	1-10	4.68	# 75 of 129	

This report is part of the Bertelsmann Stiftung’s Transformation Index (BTI) 2016. It covers the period from 1 February 2013 to 31 January 2015. 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>.

Please cite as follows: Bertelsmann Stiftung, BTI 2016 – Jordan Country Report. Gütersloh: Bertelsmann Stiftung, 2016.

This work is licensed under a [Creative Commons Attribution 4.0 International License](https://creativecommons.org/licenses/by/4.0/).

Key Indicators

Population	M	6.6	HDI	0.745	GDP p.c., PPP \$	12050.3
Pop. growth ¹	% p.a.	2.3	HDI rank of 187	77	Gini Index	33.7
Life expectancy	years	73.9	UN Education Index	0.700	Poverty ³	% 2.0
Urban population	%	83.4	Gender inequality ²	0.488	Aid per capita \$	217.9

Sources (as of October 2015): The World Bank, World Development Indicators 2015 | UNDP, Human Development Report 2014. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.10 a day at 2011 international prices.

Executive Summary

The regional turmoil triggered by the Arab Spring in 2011 greatly affected Jordan's political and economic development. The authoritarian rule of the Hashemite monarchy was regularly challenged by protests beginning in January 2011. Although this particular pressure has largely abated, the economy was burdened by both protesters' demands and regional instability. Disruptions to natural gas transfers from Egypt have resumed since the military coup against the Muslim Brotherhood-led government in July 2013. Particularly the conflict in Syria and its spillover into Iraq, flooding Jordan with refugees, have strained the small country's already scarce resources in every dimension. There are currently over 620,000 registered Syrian refugees as of January 2015, only 20% of whom reside in special refugee camps set up by the government and funded by international donors. Additionally, the expansion of the Islamic State (IS) group poses an imminent security threat.

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. This came at the cost of deprioritizing internal political reform. 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. After a large body of reforms was implemented in reaction to the opposition's demands since 2011, the protests largely abated. However, actual political change was far less substantial, as the election outcome of January 2013 demonstrated. In addition, external pressures and geostrategic threats serve as discouragement for further reforms. Tribally based Transjordanian regime loyalists still form the bedrock of the system (albeit not unconditionally), while the largest opposition party, the Islamic Action Front (IAF), the political arm of the Muslim Brotherhood, has been sidelined following Mohamed Morsi's fall in Egypt. Internet freedom has even declined with the blocking of 200-300 websites in June 2013. However, the king learned from the mishaps of past Arab

leaders, as well as from the successful reform model pursued by the Moroccan king, and eschewed violent repression. Non-violent restrictions of liberty continue and police and gendarmerie forces maintain a tight control on demonstrations.

While state revenues have only marginally increased in the last years, political pressures have for the most part precluded a reduction in state expenditures. However, the government's acceptance of a \$2 billion IMF loan requires it to abolish a range of subsidies, which it carried out beginning in November 2012 with the disposal of fuel subsidies, a decision that led to the heaviest riots the country has seen in years. However, the situation quickly calmed down as the king announced compensatory cash payments for those who could not afford the rising prices. The announcement of energy price hikes the following year and further restriction of subsidies passed largely without incident. However, the country's economic situation remains dire despite huge loans and grants from international donors on which Jordan increasingly depends, although the record budget deficits of 2011 are shrinking yearly.

History and Characteristics of Transformation

After a post-1982 decline in state revenues driven by the drop in world oil prices, a comprehensive structural adjustment program, including austerity and economic liberalization measures, was introduced under pressure by the IMF and World Bank to counter the economic crisis. 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 characterized by a loosening of additional political restrictions. This was also the time when the major societal cleavage between Transjordanians and Palestinians was cemented. Today, Jordanian society is still largely divided between Transjordanians or "East Bankers" (those whose families lived east of the Jordan River after World War I) and Palestinians (those whose families lived west of the Jordan River). Following a civil war in 1970-1971, also known as "Black September", the Jordanian army dispersed most armed Palestinian groups from Jordanian territory after the PLO attempted to overthrow the Hashemite monarchy. Relations between the two main population groups have been tense since then. The Palestinians form a majority in Jordan, and for the most part have Jordanian citizenship. In 1988, Jordan officially disengaged from the West Bank, emphasizing the legitimacy of the Palestinian Liberation Organization (PLO) as the sole voice of the Palestinian people. This move considerably heightened the liquidity problems of the Jordanian economy. 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 the 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 heritage at the expense of actors holding extremist ideological views and 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 initiated further economic liberalization, 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 Hamas' electoral victory in the neighboring Palestinian Territories, the state's increasingly influential security services harshly repressed the Islamic Action Front (IAF) as the main political opposition party in Jordan. The regime began to harden its anti-terrorism strategy after the 2005 bombings in Amman. The deterioration of the security situation in Syria and Iraq and the rise of the IS have served as the backdrop to additional anti-terrorism measures in a bill passed in April 2014, which significantly widens the legal definition of what constitutes a terrorist act.

While the country survived the global economic crisis relatively well, regional insecurity and the subsequent refugee influx form a major challenge to an already struggling economy.

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), increased since the Arab uprisings and sometimes spill over into universities. However, the unprecedented attacks against government institutions in November 2012 after the government's announcement of the removal of fuel subsidies have not been repeated since. The escalation of conflict in neighboring Syria and Iraq serves as a major deterrent against challenging the state's monopoly of power. This indicates that the government's authority and monopoly on the use of force, while vulnerable, is not under imminent threat. However, this vulnerability can be exploited as long as the political, economic and social problems remain unresolved.

However, a new threat might arise from the conflicts in Syria and Iraq; a Jordanian newspaper reported that as many as 1 million small arms had entered Jordan illegally. If true, this might lead to quick escalation of future conflicts in Jordan.

The artificiality of the state at its inception in 1921, which largely ignored pre-existing identities and boundaries, and the divide between East Bankers and West Bankers (Palestinians) are two persistent challenges to state identity in Jordan.

The Transjordanian elite, the bedrock of the monarchy, primarily identify via their tribal basis and distrust Palestinians. They frequently 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. There is no indication that a significant part of the Palestinian population east or west of the Jordan adheres to

Question
Score

Monopoly on the
use of force

7

State identity

6

such an idea and the king regularly refutes it. Nevertheless, this allegation emerges in every crisis, most recently during the protest in 2011.

King Abdullah 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 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.

The immigration of foreign workers since the 1990s, as well as several waves of war refugees, has complicated the issue further. In demographic terms, the Transjordanian share of the population will unarguably continue to shrink for at least as long as the civil wars in Syria and Iraq continue. The diminishing influence of the Transjordanians, combined with their dwindling appreciation of the royal family, exacerbates these tensions.

Article 2 of the 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 Prophet Muhammad. The Christian community, which constitutes about 2% of the population, can exercise its faith freely and without intervention by the state. Members of the royal family, especially former Crown Prince Hassan, actively support interfaith dialogue.

No interference of religious dogmas

6

However, the propagation of secularism and religious plurality is often used as a political weapon, especially against one of the largest and most influential oppositional actors – the Jordanian Muslim Brotherhood (MB) and its political arm, the Islamic Action Front (IAF). The popular crackdown against the MB in Egypt has given opportunity for the government to sideline the IAF further, while concerted efforts against Jihadi extremists at times restrict civil liberties in the name of anti-terrorism. A new bill approved in April 2014 widens the definition of terrorism to include any act meant to create sedition, harm property or jeopardize international relations, or to use the Internet or media outlets to promote “terrorist” thinking, a change that may be used against other political opponents. Several Islamists have been arrested and tensions have reached a critical point with the arrest of one of the most senior Jordanian MB figures, Zaki Bani Irsheid, in November 2014.

While the IAF boycotted the January 2013 elections, a moderate splinter group, Wasat, gained 16 seats and regularly introduces religion-based legislation. However, the influence of Wasat and other Islamic political blocks is small. A 2013 bill proposal to “harmonize” legislation with Shariah failed to garner significant support (27 out of 150 affirmative votes). Social conservatism, however, remains deeply ingrained. Several attempts to reform the personal status law, which strongly

disadvantages women, have met with resistance from tribal and religious figures, as well as from factions of the parliament.

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 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 possesses 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, especially since the widening rift between the government and tribes in recent years.

Basic
administration
6

2 | Political Participation

General elections, held regularly since 1989, have only limited influence over the selection of the country's political leadership, as the non-elected king holds wide powers and can neither be dismissed nor controlled by elected representatives.

Free and fair
elections
4

The last parliamentary elections were held on January 23, 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 heavy gerrymandering, 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); the establishment of a constitutional court; and a change in the selection procedure for the new prime minister, who is henceforth chosen after "consultation" with parliament rather than being appointed and dismissed by the king at will. Critics dismissed the changes 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 does not result in a significant constraint of royal prerogatives. Some opposition parties, mainly the IAF, Jordan's only relevant opposition party, boycotted these and the previous elections for these reasons.

Not surprisingly, 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. They serve alongside about 37 more critically minded members. The king appoints the upper house, now numbering 75 senators. Although only minor transgressions were registered by local and international observers (also due to a thorough IEC-conducted campaign to discourage vote buying and other election fraud procedures), structural problems enshrined in the discriminatory election law remained. The following municipal elections on 27 August 2013, held for the first time since 2007, continued the trend of comparatively "clean" election days, with structural problems inhibiting free and fair voting (including in a low turnout of about 20-30%), and minor violations and boycotts by the IAF and other groups. Southern regions saw more severe violations, with violent attacks and the stealing of ballot boxes reported. However, there are also signs of progress in comparison to the elections held six years ago. International and local observers were invited and tight security measures introduced. The government also heightened accessibility by freeing eligible voters from the prerequisite of pre-registration and by sending out polling station information via text messages.

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 and parts of some municipal councils in the country. 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, as they did in the aftermath of the 2013 elections. 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, 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.

Effective power to govern

2

Article 16 of the constitution safeguards the right to assembly within legal and constitutional boundaries. The right of association is accorded to independent political and civic groups, but under strict restrictions imposed by the Interior Ministry and the intelligence service. The Ministry of Social Development can reject registration and foreign funding requests for NGOs without explanation. Civil society organizations shall not have political goals. However, in the wake of the protests in early 2011 some restrictions were revoked with amendments to the Public Gathering Law. Thus, while demonstrations still have to be announced two days in advance, they no longer need government approval. Workers still require government permission to strike. Furthermore, in early 2014, the government invited all societies and unions to a debate on further amendments to the Law of Societies passed in 2008.

Association /
assembly rights

5

A considerable number of the demonstrations and popular uprisings since 2011, which were mainly directed against the government and its policies, took place without the authorities' consent, yet also without response from 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.

Arrests following demonstrations that escalate into confrontation happen on a regular basis, most recently after the parliamentary elections in January 2013, but the king has typically ordered the release of detainees after a short time. The ebbing of protests is not so much a result of harsher repression but of public frustration and discouraging results.

The freedoms of opinion and of the press are guaranteed by Article 15 of the constitution, yet face important restrictions. Reports on the king and the royal family require prior 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. Self-censorship among journalists is widespread. Transgression is regularly punished by harassment, threats, extralegal detention or legal measures. However, physical intimidation is rare. Television and radio broadcasting are usually subject to stricter control than printed media. English-language media enjoy greater freedom than Arabic language media. However, pre-censorship of printed media 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.

Freedom of
expression

4

A law passed in September 2011 allows journalists who report on corruption without "solid facts" to be fined. An amendment to the Press and Publications Law of September 2012 introduced restrictions on Internet content and led to the blocking of 200-300 websites and blogs in June 2013. This law is the main reason why Jordan

continues to free-fall in the Press Freedom Index of Reporters Without Borders, to 141st out of 180 in 2014, down 21 positions since 2012.

Nevertheless, many bloggers critical of the regime have emerged in recent years and the outbreak of protests led to more openly voiced criticism in different social strata.

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 he no longer directly appoints and dismisses the prime minister and the cabinet since 2013, 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 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 extra-institutional and informal mechanisms, and thus ultimately depends on the tolerance of the king. With his nomination of Muhammad Raqqad as head of security services in 2009, the king heavily curtailed the hitherto growing influence of the organization.

Separation of
powers

3

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 managed indirectly by the palace-appointed Higher Judicial Council), their interpretation of the law is mostly 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. 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 generally conform to open and just procedures, the State Security Court (SSC), a mixed court consisting of civil and military judges, has more

Independent
judiciary

5

autonomy and less transparency. Dozens of opposition activists and journalists have stood trial on political charges there. Recently passed laws have curtailed the SSC's scope of jurisdiction. Opposition groups such as the IAF, however, continue to call for the SSC to be dissolved altogether.

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 emerged as one of the central issues during the anti-government protests and led to a token policy of reform, including 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 unprecedented harsh sentence of 13 years in prison; and former Jordan Phosphate Mines Company board chairman and King Abdallah's uncle-in-law, Walid al-Kurdi, was sentenced to an even harsher 37 years of labor and a fine of over \$400 million in absentia in 2013. The government also launched a new 2013-2017 national anti-corruption strategy, announced in June 2013. The Anti-Corruption Commission Law, establishing the (independent) Jordanian Anti-Corruption Commission (ACC) in 2006, was amended in 2014, widening the scope of investigations and specifying measures in pursuing charges and punishing those concealing evidence of corruption. The cases it tries increase substantially every year, with 2013 seeing more than twice the number of cases than 2011. 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, while politicians and officeholders are still not systematically prosecuted under the law.

Prosecution of
office abuse
5

Civil rights are guaranteed by law, 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 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 Centre for Human Rights (NCHR) complain about arbitrary arrests, incommunicado detention, and the use of torture in Jordanian prisons and – a particular problem – in police stations. The NCHR condemned the “excessive use of force” by the police in early 2014 during searches and raids in Ma'an, resulting in about ten casualties. Allegations of torture occur from time to time, but never lead to convictions. In a notable exception in late March 2013, a public prosecutor recommended that at least six police officers face charges of torture under article 208, the first recommendation of such kind. Although Jordan has taken in an enormous number of refugees fleeing Syria since 2011 (over 620,000 as of January 2015), certain groups – Palestinians and Iraqi nationals, single males of fighting age, and people without documents – were denied entry. In May 2014, border security was stepped up, effectively halting refugee flows.

Civil rights
5

Although women have equal political rights, they are discriminated against by some aspects of (Shariah-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. Specific issues raised by women's rights groups during the protests since 2011 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. Women remain underrepresented in both houses of parliament and the cabinet, even though their numbers are increasing slowly. Female migrant workers are especially vulnerable to maltreatment.

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 have been pushed through since 2011 and the king regularly speaks out in favor of continuing democratization, there has not been any significant change in the performance or powers of democratic institutions.

Performance of
democratic
institutions
2

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 tribalist, conservatives. Although the carousel of prime ministers (five between early 2011 and late 2012) has come to a halt, the mostly cosmetic 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 despite regular announcements of new rounds of reforms. Several moderate and reform-oriented actors in the government and parliament were replaced by conservative ones, e.g. in the Senate, when President Taher Masri made way for Abd al-Ra'uf al-Rawabdeh. Opposition actors have not reached a clear consensus on what they regard as legitimate institutions; however, the virtually unanimous criticism of

Commitment to
democratic
institutions
2

the electoral law's deficient reform and the comparatively low turnout in the parliamentary and municipal elections in 2013 signify the weak credibility of the legislative branch (although further electoral reforms are likely in the future). On the other hand, protesters repeatedly and vocally called for the firing of various prime ministers, thus indicating a belief in the responsibility and powers of this position.

5 | Political and Social Integration

Despite frequent royal appeals for a strong and coherent party system in Jordan, it remains underdeveloped and weak. The IAF, the only "actual" major political party, is becoming increasingly marginalized, due to government policy, its own electoral boycotts and growing internal divisions between hardliners and moderates. Many Jordanians see them as well as many other Islamist groups as mainly representing Palestinians. Since the rise to power of Islamists in Tunisia and Egypt, containing Islamism has moved even further up the regime's agenda while the overthrow of the Egyptian Muslim Brotherhood in summer 2013 catalyzed the IAF's marginalization. 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, yet resemble ad-hoc coalitions, remain influential within the parliament, but lack programmatic clarity. 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 al-Wasat, the largest party, winning just three seats (in addition to 14 seats won via the district ballot). This comparatively "strong" showing of al-Wasat was due to the IAF boycott, not its inherent strength.

Large numbers of citizens cast their votes according to tribal and kinship affiliations, a phenomenon structurally favored by the electoral law. However, the revised election law continues to be based on the single nontransferable vote, which puts parties at a disadvantage. The new national list, more fig leaf than actual structural reform, has thus far done little to change this.

The protests broke open the party system to some extent. 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) and the various Hirak ("movements") – locally based opposition groups – have emerged, but the majority did not participate in elections and quickly lost momentum. Especially against the backdrop of polarization in the conflicts in the region, unification or institutionalization of new significant parties in the future remains unlikely.

Party system
2

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, although there is an ongoing discussion to amend the 2008 Law of Societies. 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 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. Tribal councils, tribal youth groups, and teachers' and veterans' associations also grew more vocal during the protest. However, the increasing cooperation during the protests has not reduced their fragmentation or lack of cohesion.

Interest groups
5

Jordan is one of the few Arab countries with a range of long-term public opinion surveys, with serious polling going back to the 1990s. However, the reliability of data on Jordanian perceptions of democracy is questionable. It is also important to keep in mind 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.

Approval of
democracy
n/a

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%). It was also significantly lower than the 72% of respondents in a previous 2011 poll. Jordanians also prefer a strong economy (61%) over a good democracy (33%). More positive are results from a 2014 opinion poll by the Doha-based Arab Center for Research and Policy Studies. According to its findings, 78% of Jordanians "strongly agree" or "agree" with the statement that "in spite of having its problems, a democratic system is better than other systems" (nearly the same share as in 2012), hence showing that almost four-fifth of Jordanians are supportive of democracy. 32% reported at least a moderate level of trust in parliament, 56% in government and 26% in political parties. Albeit, these rather low shares are higher than in most other surveys in recent years.

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
4

Tribal kinship and personal relations still constitute the main reference point for social organization in Jordanian society, and serve as the main source of solidarity as well as voting behavior. This also intensifies the Transjordanian-Palestinian divide in society and contributes to the increasing suspicion of Syrian refugees, as recent surveys (e.g. by the IRI) indicate. 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; the Salafist-run al-Kitab wa-l-Sunna, whose funds swelled massively but temporarily with the Syrian crisis, especially due to donations and funding from the Gulf countries; and local zakat committees. They often fill gaps that the government lacks funds for, but are under growing suspicion due to the rise of extremist Islamic movements such as the IS.

The short rise of national Jordanian solidarity fed by the frequent social protests has now been replaced with a growing apathy due to lack of progress and reform, and to an ever-precarious economic outlook.

II. Economic Transformation

6 | Level of Socioeconomic Development

Question
Score

The 2014 Human Development Report ranks Jordan 77th out of 187 countries in the updated 2013 Human Development Index (HDI), the same as in the HDI 2012. Between 1980 and 2013, however, Jordan's HDI value had increased by 27%, with an average annual increase of about 0.73%. Jordan is above average in the category of high human development and well above the average of Arab states, while the same is true for the inequality-adjusted HDI value introduced in 2010. Jordan's performance in the Gender Inequality Index is more mixed (101st out of 149 countries, a slump from previous years, yet not directly comparable for

Socioeconomic
barriers
4

methodological reasons), putting it above the average for Arab states, but below the average for high HDI states.

The most recent numbers for poverty date back to 2010 and thus ignore the influence of the streams of war refugees from Syria and now Iraq on socioeconomic development. All the official figures are also likely to be approximate, since they take into account neither the relatively large numbers of non-passport-holding residents of Palestinian and Iraqi descent, nor the foreign guest workers. Among those groups, poverty figures can be expected to be much higher, but reliable and comprehensive data does not exist. World Bank reports that poverty as defined by the share of the population living on less than \$2 a day has decreased to 1.6% (from 3.5% in 2006). However, according to the Jordanian Department of Statistics (DoS), the percentage of Jordanians living below the poverty line slightly increased from 13% in 2006 to 14.4% in 2010. According to a recent World Bank study, a further 18.6% experience spells of poverty in at least one-quarter of the year. About 19% of the rural population is classified as poor. A detailed study conducted by the Amman-based Center for Strategic Studies 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.

Economic indicators		2005	2010	2013	2014
GDP	\$ M	12588.7	26425.4	33593.8	35826.9
GDP growth	%	8.2	2.3	2.8	3.1
Inflation (CPI)	%	3.5	5.0	5.5	2.8
Unemployment	%	14.9	12.5	12.6	-
Foreign direct investment	% of GDP	15.8	6.2	5.4	-
Export growth	%	2.6	25.4	3.3	9.4
Import growth	%	17.1	-3.4	3.0	2.4
Current account balance	\$ M	-2271.2	-1882.2	-3358.8	-
Public debt	% of GDP	91.3	67.1	86.7	89.0
External debt	\$ M	12903.7	17214.6	23969.9	-
Total debt service	\$ M	886.3	789.3	1003.4	-

Economic indicators		2005	2010	2013	2014
Cash surplus or deficit	% of GDP	-5.1	-5.6	-	-
Tax revenue	% of GDP	24.4	15.9	-	-
Government consumption	% of GDP	19.5	20.4	19.7	20.1
Public expnd. on education	% of GDP	-	-	-	-
Public expnd. on health	% of GDP	4.8	5.9	4.8	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	4.8	5.2	3.6	3.5

Sources (as of October 2015): The World Bank, World Development Indicators 2015 | International Monetary Fund (IMF), World Economic Outlook, October 2015 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2015.

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 (JOD) is today freely convertible, and trade and capital account restrictions are minimal. The average tariff rate is 5.2%, while some agricultural products require licenses and the government may screen new investments. The overall business climate had improved considerably in recent years until 2013, but slumped slightly in 2014, as shown by the Heritage Foundation's 2014 Index of Economic Freedom, numbering Jordan among the moderately free countries (39th out of 186 countries). It is still above the world and regional averages and open market indices remain stable, with only regulatory efficiency suffering since 2013. In general, the country's main large-scale businesses and trading companies are intimately connected to the palace or to members of the core elite. Many enjoy oligopolies or even a monopoly within their respective segments. The influence of the state sector is still high (government spending comprises 33% of GDP). 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. Findings from the Privatization Evaluation Committee, formed by royal order in 2013 and released in March 2014, indicate a willingness for further reform. 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. Official data on the informal sector do not exist; however, a Jordanian study conducted with assistance from the UNDP recently held that the informal sector employs as much as 44% of the national labor force and 55% of the private sector.

Market-based
competition
5

In August 2002, the king approved the first competition law in an Arab country as a temporary regulation. Parliament endorsed it in 2004. It is currently reviewing a new draft that aims to prescribe price setting in accordance with market rules, establish the principle of free competition and provide incentives to improve market competitiveness. In addition, a special court was installed to deal specifically with competition matters, and the Competition Directorate was created within the Ministry of Industry and Trade to implement the law. The directorate is tasked with market research, the examination of complaints, and the reporting violators to the judicial system. Implementation is slow, however. 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

The government currently plans to liberalize the oil sector by 2019. In late November 2012, just after riots ignited by the 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. The government will allow other companies to join by May 2016.

Foreign trade regulations have been largely liberalized. In the World Bank's Trading Across Borders Index 2015, Jordan has jumped up six ranks. Jordan's average applied tariff rate is 5.2% in 2009, well below the most other Arab states, even though some non-tariff barriers such as border delays, licensing agreements and quality controls remain in place. 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, which were followed by regular rounds of negotiations and further agreements. 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 large number of additional countries. Cross-border trade has been facilitated since 2010 due to the implementation of a risk-assessment inspection regime and technological advances. Export profits are exempt from income tax. The few exemptions that exist are valid until 2015 under a WTO agreement.

Liberalization of
foreign trade

8

After the 1994 peace accord with Israel, qualified industrial zones (QIZ) were introduced 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 at first generally successful in boosting U.S.-Jordanian trade, the manufacturing sector and job creation, although most workers in QIZ are foreigners. However, in recent years, advantages have decreased and exports have diminished since 2010, with the balance turning in favor of the Free Trade Area with the USA (JUSFTA). Human right violations and sub-standard employment conditions have brought additional problems.

Jordan's banking sector and domestic capital markets are well developed, differentiated, internationally competitive and in compliance with international banking standards. Most banks have reported a positive profit rate in recent years; despite temporary setbacks, the sector as a whole has shown positive net income growth since 2011, even doubling from 2012 to 2013. The bank capital-to-asset ratio has been comparatively stable over the last several years (reaching 12.9% in 2013), and the core liquidity ratio reached a solid 36.5% by the end of 2013. The consolidated balance sheet of licensed banks rose steadily from JOD 14.15 billion Jordanian dinar in assets in 2000 to JOD 42.9 billion dinar by the end of 2013. The Arab Bank, one of the largest private financial institutes in the Middle East, dominates the domestic banking sector, accounting for about 51% 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. In addition, there are 12 other commercial and investment banks, three Islamic banks and ten foreign banks operating in Jordan. The government controls four additional special credit institutions. An anti-money-laundering law has been enacted (with three convictions made under its terms between 2011 and 2012), and Basel II standards have been implemented. The level of nonperforming loans has fallen again since its peak in 2011 (reaching the global average of 7% in 2013). The good performance of Jordan's banks in times of crisis was largely due to the relatively strict supervision of the Central Bank of Jordan (CBJ), its reduction in key interest rates as well as the government's banking deposit guarantee and the lowering of banks' reserve requirements. The CBJ lowered its rediscount rate to 4.25% in January 2014 to stimulate the flow of credit to the private sector, but lending remains low.

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 that consistently maintains its autonomy, even in potential crisis situations. According to IMF assessments, foreign reserves are high (nearly doubling from 2012 to \$12.1 billion in 2013), the current dinar-dollar interest rate differential is sufficient to safeguard the attractiveness of the dinar, and core inflationary pressures are expected to subside. Except for a highly volatile period from 2008 to 2010, induced by changing international prices, inflation levels remained comparatively stable. The lifting of fuel subsidies coupled with population growth led to a new high in 2013 (5.5%), but inflation leveled off in 2014 with a 2.8% increase in consumer prices by year-end. Headline inflation especially decreased, while core inflation slightly rose. However, the economy adjusted quickly and inflation is expected to remain at roughly the same level in 2015. In general, global hikes in food and oil prices affect Jordan strongly as it imports almost 90% of its food

Anti-inflation /
forex policy
9

and 97% of its energy. Since oil prices fell and government continued to subsidize basic foodstuffs and agriculture, the price level stabilized. In 2013, 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 (EIU) expects a more concerted anti-inflationary strategy as of 2016 and an expansionist monetary stance until then, following the U.S. Federal Reserve bank's lead.

External observers retain confidence in the prudence of Jordan's macroeconomic policies, as for instance demonstrated in the IMF Fifth Review for the Stand-By Agreement in October 2014. 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, especially gasoline and electricity, has put extraordinary pressure on the state budget over the last decade. The gradual removal of "all forms of public subsidization but [the keeping of] subsidies for appropriate products and sectors" is a government priority, as stated in an interview in May 2014 by Jordanian Minister of Finance Umayya Toukan. After the abolishment of fuel subsidies, which triggered an unprecedented violent uproar in 2012, electricity subsidies are next in line, with complete abolishment expected by 2017.

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, but increased in 2014. The government succeeded in bringing the budget closer to balance, with the budget deficit declining to 8.2% in 2013 and 7.5% in 2014 from a peak of 12.7% in 2011 (excluding grants). Future projections confirm this trend. Fiscal deficit after external grants is given as 5.4% of GDP in 2013, 4.3% in 2014 and expected to narrow further, boosted by expected income tax reform. Public debt as a share of GDP, however, jumped to 86% of GDP in 2014 from 75% in 2012, well above the 60% limit set by the Jordanian Public Debt Law.

The full-year revenue gain expected from the tax reform is 0.6% of GDP, with additional contingency measures already identified. While applauding Jordan's tax reform as a step toward to more government revenue and a fairer tax system, the IMF report regretted lost opportunities and expects a need of further law revision. A further ease on public debt pressure derives from Standard & Poor's stable credit rating, which was issued three years after a downgrade resulting from the dim prospects created by regional instability and the dire state of the country's economy.

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 to bring them in line with international standards, as the implementation of legislation on intellectual property rights (IPR) demonstrates (most recently in 2014 with a draft law on border measures). 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 2014 International Property Rights Index ranks Jordan fourth out of 7 countries in the Middle East and North Africa (MENA) region, and 40th out of 97 countries worldwide, a slight improvement from 2013, especially regarding physical and intellectual property rights. However, the compound score from 2009-2014 shows a slight decline. The Heritage Foundation's 2014 Index of Economic Freedom shows no change regarding property rights ("respected for the most part"), while the Economic Freedom of the World Report 2014 by the Fraser Institute ranks Jordan among the top ten worldwide in the general score and with "particularly impressive increases" in its score for Legal System and Property Rights (38th out of 152 countries).

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 Advisors 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. Efforts were resumed in January 2013, when the government announced the formation of a committee to review all privatization deals since 1989, making Jordan the first country in the region to conduct such a comprehensive assessment of privatization. Findings from this committee, released in March 2014, contain a critical assessment of privatization deals and consider options for further reform. Most recently, the government announced plans to liberalize the state-owned oil sector gradually by 2019, a process that will end the 50-year-old Jordan Petroleum Refinery Company's (JPRC) monopoly.

Private enterprise
7

10 | Welfare Regime

Jordan's social safety net is only partially developed, fragmented and has come under further strain from the refugee influx. Some 23% of citizens lack health insurance coverage, an improvement over recent years, but Jordan still falls short of its goal of full coverage, which it avowed for 2011. 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. International organizations, mainly affiliated with the United Nations, support Palestinian, Iraqi, and Syrian refugees. International grants are the main sources of financing for facilities and support for the more than 620,000 Syrian refugees that have arrived in Jordan as of January 2015. 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. In recent years, they have supplied major parts of the population with basic foodstuffs at prices well below world market levels, 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 since 2011 – many of which were focused on low wages and high prices. While key subsidies like gas and electricity have been or will be dropped in the coming years, in the case of gas subsidies, cash compensation payments mitigated the surging prices. Similar measures can be expected for the envisioned subsidy cuts. 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 refugees. Extended family networks and Islamic charities 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.

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. Quotas for women and some ethnic and religious minorities ensure

Social safety nets
5

Equal opportunity
5

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, leaving the quota at 10%; the following 2013 parliamentary elections saw a record number of 18 women gaining seats in the lower house – 15 via the quota, two by direct election and one through the national list party list – resulting in 5 five more women in parliament than in the previous election. 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 dropped further from an already low standard (13.2% of women above 15 years of age in 2013 from 18.3% in 2012, according to the Jordanian Department of Statistics). The unemployment rate for females is now more than 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 general tendency may point to a continuing lack of efficacy of official campaigns and efforts in this area, while the recent deterioration was probably caused by the refugee influx, with female refugees in an even worse position than males to find employment.

Nepotism is rampant as labor market access is still dominated by kinship and family ties. In addition, a number of informal mechanisms play an overarching role. Palestinians dominate the private sector, but also often work in the shadow economy.

11 | Economic Performance

Inflation-adjusted economic growth rose slowly from 2.6% in 2011 to 2.7% and 2.8% in 2012 and 2013 respectively. Projections forecast slightly accelerating growth, which is well below levels reached during the 2004-2008 period, however, and mostly driven by a \$5 billion grant by the Gulf Cooperation Council (GCC). Official unemployment rates remain in the double digits (12% to 14%, varying seasonally), while unofficial sources estimate true levels to be around 30%. Youth unemployment is especially rampant. Independent reports show that poverty levels did not decline following the implementation of structural adjustment programs in the early 1990s. After a peak of 12.7% in 2011, the budget deficit declined again, reaching 8.2% in 2013 and 7.5% in 2014, and is projected to further continue this trend. Total debt continues to increase, with a jump by 7.3% from 2013 to 2014. It encompasses 80% of the projected GDP of 2014, slightly down from 80.1% in 2013, and continues the downward trend of the debt-to-GDP ratio since 2009. The trade deficit estimation peaks in 2014 at \$11,726 million, but is projected to narrow slowly in the coming years. International reserves are higher than ever, at over \$16 billion by September 2014. The already large shadow economy further expanded with the influx of refugees and has by now probably exceeded the previously estimated 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. Air and water pollution are well-known phenomena in regions with high concentrations of industrial enterprises. The scarcity of water (Jordan is among the world's five poorest countries in terms of water) is one of the country's central environmental issues, and of increasing relevance for Jordan's economic and demographic development. Mismanagement and transboundary water-sharing disputes further exacerbate this scarcity. They caused a drastic decline in national water resources in the agricultural sector, which come predominantly from the Jordan and Yarmuk rivers. This is not only due to Israeli and Syrian water usage, but also largely to the misuse of water by a number of influential Transjordanian families with close ties to the king and the government. The refugee crisis adds further pressure, with the Zaatari refugee camp (housing only about 15% of all Syrian refugees) consuming over one million liters per day. In 2011, the Ministry of Water and Irrigation announced projects aimed at limiting agricultural water use. It has since been merged with the Ministry of Agriculture, signaling further commitment to handling this problem. An agreement with Israeli and Palestinian authorities in December 2013 paved the way for the controversial Red-Sea-Dead-Sea water conveyer, to be implemented by 2018, which would include a desalination plan and redistribution of water from the Red Sea to the Dead Sea to keep the latter from shrinking further.

A Green Economy Scoping study by UNEP, commissioned by the Ministry of Environment (founded in 2002), was endorsed in 2011. With an estimated energy sector investment in energy efficiency of around JOD 195 million annually for the next 10 years, the study projects a cut of one-fifth of Jordan's energy usage over the next 12 years, a great leap for a country that imports 97% of its energy annually. Jordan's National Agenda 2006-2015 cites "environmentally sustainable economic development" as a priority, while its National Energy Strategy of 2007-2020 targets an energy mix of 10% renewable energy by 2020. The country has adopted renewable energy laws and policies designed to attract investment in the area. In December 2014 and January 2015, Jordan gave licenses to build nine solar-run power plants in the Ma'an and Mafraq governorates. Two wind energy projects are planned for 2015. The projects help reach the goal of having several renewable energy projects with a total capacity of 1,800 megawatts by the end of 2018.

Environmental
policy
5

Jordan ranks high internationally and is the best in the Arab world in terms of access to and quality of education. The adult (aged 15 and older) literacy rate is about 96%; youth illiteracy is almost nonexistent. The enrollment ratio for tertiary education is about 40%. The UNDP 2011 Human Development Report rated Jordan's university-level teaching and learning opportunities as "generally strong." Data on education is spotty, however. The most recent USAID data (2011) states that 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. The World Bank cites 4.5% of GDP while the Jordanian Department of Statistics states that 11% of the 2013 budget went to education. 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. In 2012, higher education subsidies did not exceed 0.17% of GDP, a low number compared to international standards, despite Jordan's avowed aim to transform itself into a "knowledge economy." A national strategy for science, technology and innovation for 2013-2017 has been developed together with UNESCO. The demand for higher education at the country's 10 state-run and about 20 private universities has grown steadily. Overall, Jordan's policy of relatively widespread education has successfully helped citizens to obtain professional jobs in the oil-rich Arab Gulf countries; Jordan has the greatest number of researchers of all members of the Organization of Islamic Cooperation (OIC). The refugee influx again has put great strain on the education sector, leading to increasingly overcrowded schools.

Education policy /
R&D

6

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 Transjordanians dominate the military and public sector, 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. While the immediate protests during the beginning of the Arab Spring have almost subsided during the period under review, the escalating conflict in Syria and renewed turmoil in Iraq add further constraints to Jordan's economy and security.

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.

Civil society
traditions

6

The only vital grassroots organizations are professional associations dominated by Islamist actors, which have represented the primary opposition to a number of government policies for the last 20 years. While protest activities since 2011 had initially led to a rejuvenation of public life and the culture of civic protest, with regular sit-ins, council meetings and protests by a variety of different groups, the momentum is lost for now. While protests still take place at a lower key and a lesser scale, apathy and frustration now prevail. Nonetheless, it remains to be seen whether a new form of civil society activity has emerged.

Regular protests in the wake of the Arab Spring were fairly regular in 2011 and the beginning of 2012. They were also a regular occurrence in the aftermath of the elections in January 2013, and turned violent in some rural areas; however, they have abated and not led to a general escalation on a national scale. Even after the government raised the price of electricity – a similar move to eliminate fuel subsidies triggered the unprecedented November 2012 events – the reaction was largely subdued. Confrontations between police and rural opposition sometimes escalate, as in early 2014 in Ma'an when a clash during raids and searches conducted there led to 10 casualties.

Conflict intensity
5

Although the red line was crossed in November 2012 with protesters calling for the fall of the regime (as opposed to the usual moderate reform formula), subsequent demonstrations did not continue in this vein and were without violent incidents. 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. Distrust of the Muslim Brotherhood and affiliated organizations after the second regime change in Egypt in July 2013 further silenced both opposition voices and Palestinian groups.

Violence motivated by tribal rivalries has been rising as well, especially in the kingdom's universities. The number of fights, often involving weapons (even automatic weapons) and some leading to casualties, has increased steadily in recent years. From January to April 2013, 40 major fights were reported, with public universities disproportionately afflicted. A study by the Jordanian Political Science Association in early 2014 reported 296 incidents of violence resulting in seven deaths between 2010 and 2013, with all but four out of the 30 Jordanian universities affected. Tribal violence was also suspected to be a contributing factor in an incident in September 2013 in parliament, when deputy Talal al-Sharif opened fire with his automatic weapon after a dispute with a colleague.

Spillover effects from the conflicts in Syria, Iraq, Gaza and the Palestinian territories intensified. Religious conflict is almost nonexistent, although the threat of Islamic extremism is rising. In particular, recent years have seen an increase in the number

of radical Salafists, which reportedly have around 8,000 followers. After the Islamist rift in Egypt, Syria and Iraq, the Jordanian Salafi movement split between al-Qaeda and IS supporters, many of whom are fighting in Syria (reportedly 1,000 for IS and 800 for Jabhat al-Nusra). There are numerous reports of attacks on al-Qaeda supporters by IS supporters in Jordan in 2014. On 20 June 2014, 200 IS supporters took to the streets in Ma'an in the south and declared it the "Fallujah of Jordan." Refugee camps such as Zaatari sometimes see fights that reflect a continuation of the Syrian civil war.

II. Management Performance

14 | Steering Capability

Question
Score

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. 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. The protest activity since 2011 has enabled them to bring the topic prominently back into public view as a priority. However, with the deterioration of the regional security situation, reform pressure subsided and stabilization returned as the main priority. Thus, even the modest reform trend has largely come to a halt in the last two years, with hints of re-autocratization especially in terms of press and media freedom. It is therefore difficult to differentiate actual failure to prioritize on the part of the government from instrumentalization of welcome diversions offered by external events.

Prioritization
4

Two major economic priorities are fighting corruption and diversification. Corruption was identified as one of the largest problems by the government, electoral candidates and the public. Several high-profile cases have been prosecuted in the last few years. However, there is still no comprehensive or all-encompassing fight against corruption in the country.

An agreed cure for the numerous ailments of the country's economy is the curtailment of its substantial external financial, food and energy dependency. Multiple attacks on the Egyptian oil pipeline to Jordan raised fuel prices heavily and led Jordan to diversify its energy imports and production. Several alternative energy projects are planned or already operational and economic reforms to streamline state revenues and spending have been structured.

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, real democratization of the Jordanian political system is still far off. At first glance, the reform package following popular protests since 2011 looks impressive: 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 some extent been a cover for their minimal influence and minor significance with respect to genuinely curtailing state power. While some steps were significant, such as 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. Contrary to expectations, the king did not scrap that law as he often does with similarly controversial laws. While the revision of the election law is a longtime priority, the actual reform proved a major disappointment with very little substantial change.

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. Tax reform is undergoing a lengthy process with results that are still unclear. 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. However, since then, such reforms were pushed through and many are planned for the coming years. The ever-growing refugee population in Jordan drains resources, thus further slowing democratization and market liberalization efforts.

Implementation
4

The political leadership has rhetorically conceded mistakes and failed policies, but real changes are rare. However, it constantly learns from others' mistakes. While King Abdullah II's initial reactions to the Arab and Jordanian mass protests since 2011 appeared rather passive, he quickly adapted. Wide-scale escalation, which occurred in some neighboring countries, was probably prevented by the avoidance of harsh repression. 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 started. Some of this can be interpreted as efforts by leading technocrats to keep international support and aid flowing, a very successful policy in the past. However, King Abdullah II's foreign policy skills have proven deft enough to fine-tune Jordanian foreign policy to the constantly evolving dynamics of a turbulent part of the world. Frequently, Jordan even profited from them by presenting itself as an anchor of stability, and demanding (financial) assistance to ensure that stability.

Policy learning
4

While the Arab Spring and its aftermath 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. 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. However, there may be recent changes to attempts by the king to go it alone. While the king overcame past deadlocks by replacing key political elites, including the prime minister and the cabinet, after the 2013 elections, he largely allowed parliament and cabinet negotiations and rivalries to be settled by the institutions' members themselves, which expanded the duration of government formation significantly. Whether this is a new tendency or merely a change of tactic remains to be seen. What learning from donors and international organizations does take place is largely performed by Western-educated elements within the state bureaucracy (a group of substantial size).

15 | Resource Efficiency

Jordan is acknowledged among international organizations and donors to use resources relatively efficiently compared to other middle-income countries. Generally positive reviews under a number of programs over the course of the last decade affirm this view. 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.

Efficient use of
assets
7

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. Coupled with external assistance via loans and grants, the government strategy for increasing revenues and curtailing expenditures has been moderately successful. Despite the structural difficulties, the regional security situation and rising international prices, budget deficits have continued to shrink since 2011.

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 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. While government coordination is still problematic, the current national security concerns and the abating of loud protest activity have enabled stronger assertiveness by the cabinet and royal palace.

Policy
coordination
5

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 (last amended in 2014) while a Code of Conduct in the Public Sector developed in the same year, though it still lacks a proper legal basis. One year later, the ACC was sworn in, reporting directly to the prime minister. The cases it deals with increased substantially over the years (in 2013 the numbers of complaints and cases more than doubled compared to 2011). A new national anti-corruption strategy was announced in June 2013 and the Privatization Review Committee, instituted in January 2013, will also contribute by reviewing past problematic privatizations. A 2011 review by the United Nations Convention Against Corruption (UNCAC) Pilot Review program found a number of good practices, including the development of a comprehensive anti-corruption strategy and the separation of the office of the Attorney General from the office of the Minister of Justice, but at the same time criticized other issues, such as the need for better coordination of national institutions in the implementation of the UNCAC and more systematic implementation. 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. The king is known for his statement that “no one is above the law,” which is often taken

Anti-corruption
policy
5

up by prime ministers as a priority. Mostly token – yet influential – corruption prosecutions took place over the last few years, resulting in damning convictions. Observers pointed to the cases as a signal to elements of the elite that the general public’s rising concern over corruption cannot be ignored, and as a token indicating to the public that their demands were being taken seriously. Still, prosecution of corruption is highly selective.

16 | Consensus-Building

At the peak of the protests, a large number of mostly cosmetic reforms were pushed through, as political concessions to the reform-minded opposition were important for the stabilizing the situation. With decreasing protests, this pressure subsided. 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; the perpetuation of the status quo is still a clear priority for established actors. Still, new political reform-oriented actors – most prominently those known as HIRAK (movements) – have formed, even in some of the core conservative areas, although consolidation has thus far seen little success. The government frequently invokes democratization as a major goal and the king continues to publish “discussion papers” on liberalization and democratization. The earnestness of such proposals is often hard to discern. Dimuqrati, a major public initiative aimed at empowering citizen groups and grassroots civil society organizations, was launched in May 2013 and coincided with the government crackdown on media sites. Still, small steps toward liberalization of the regime were undertaken and faulty reforms, such as that of the electoral law, continue to be debated, indicating the possibility of future incremental change.

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 negatively affect their primarily rural constituencies. This system-loyal opposition to the government’s economic reforms in the lower house led King Abdullah to dissolve parliament in November 2009, two years before the end of its term. The current cabinet, as of the end of 2014, continues to support the \$2 billion IMF stand-by arrangement – current Minister of Finance Umayya Toukani was a member in the 2011 IMF External Advisory group – signaling a commitment to a continuance of the king’s market-liberal policy preferences. Co-optation and appeasement of prominent members of the country’s influential tribal families rose in priority with the increased volatility of the regional security situation.

Consensus on goals
6

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 (MB) 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. Due to infighting within the Jordanian MB as well as the general unpopularity of the group, Gharaibeh is currently marginalized within the political sphere. Other opposition politicians, however, took up the proposal, which has figured prominently since the parliamentary elections of November 2010. New movements with a more pronounced interest in democratic reforms have formed with the regular protests since 2011. 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, which see democratization as a threat to their position. Most of the reformers also boycotted the 2013 elections, thus waiving influence on the parliamentary process. They have thus far failed to institutionalize or consolidate. Protests, which have been partly successful, at least in opening debate on democratization reforms, have largely abated. Recent surveys cite frustration, with the primary reason being lack of progress. With further escalation of the conflicts in neighboring states, the pressure on Jordan to democratize, put forth by international actors, has significantly weakened, with the emphasis shifting back to stabilization instead of democratization.

Anti-democratic
actors

4

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 families has clearly increased, posing a problem for the government. A trend of increasing inter- and in part intratribal clashes, often in the context of elections, intensified 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. It has increased since but is now connected more to social misconduct. While this violence was publicly deplored, no effective counter-action was taken beyond the arrest of the culprits after the fact. This sometimes led to more violence, as for example in 2014 in Ma’an, where raids and searches turned deadly. Further clashes ensued with the heightened protest activity since 2011, which at times also reflected the country’s primary Transjordanian vs. Palestinian cleavage.

Cleavage /
conflict
management

4

Vandalization of local offices of the Muslim Brotherhood, often seen as a Palestinian interest group, was one consequence. No official conflict-management process addresses the marginalization of Palestinians or the status of Iraqi or Syrian refugees. However, efforts to accommodate and co-opt the opposition – especially before elections – are frequent and can lead to compromises. Before the 2013 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 recent protests 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 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. 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. With only low-level protests remaining, the pressure to include civil society actors has decreased. However, further initiatives sometimes appear, as in May 2013, when Dimuqrati – the initiative aimed at empowering CSOs – was launched, and in early 2014, when the Registry of Societies invited all societies and unions to debate on the further amendment of the 2008 Law on Societies.

Civil society
participation
4

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, a rift deepened by the civil war in 1970/1971 (Black September), 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

Reconciliation
3

satisfactory degree, and victims receive no official compensation. This is also due to the fact that Palestinians are seen as responsible for the conflict's initiation, as the PLO tried to overthrow the Hashemite regime. Despite ensuing discrimination, their treatment over the course of Black September is thus not universally regarded as unjust. The recent wave of demonstrations have exposed the extent to which the government fails to demonstrate accountability. After several journalists were beaten up by police in July 2011, the police officers responsible were charged and indicted. Other cases of alleged torture and beatings have not been prosecuted.

17 | International Cooperation

Economic constraints forced the political leadership 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, even in times of 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; a new EU-Jordan Action Plan was adopted in October 2012. Due to the instability characterizing the region in the last years, 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, for example in the energy and water sectors, where Jordan is currently cooperating with Russia and Germany, among others. The Ministry of Planning and International Cooperation is the main coordinating institution. Military cooperation also increased. In 2013, the U.S. deployed F-16 fighter-bombers and Patriot missile interceptors to the country and provided half of the 12,000 troops for the Jordanian-led Eager Lion military exercises involving 22 countries.

Effective use of
support

7

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 and most recently the stand-by agreement (the last review was in December 2014), 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. With the growth of IS an issue of increasing importance, the king’s credibility abroad was further boosted by the perception that Jordan is an island of tranquility and stability in a tumultuous region. The government’s avoidance of violence in quelling protests as well as the country’s generally “clean” 2013 elections reinforced that image.

Credibility

7

Jordan plays an active regional role within the limits given 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.

Regional
cooperation

8

Nevertheless, cooperation with regional partners has been made more difficult by the turmoil in Iraq, in the Palestinian territories, and at the borders with Syria and Iraq. 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 for the fellow monarchy. Relations with Saudi Arabia are especially strong. In 2014, Jordan even took the U.N. Security Council seat the gulf kingdom declined in October 2013. After the ousting of the Muslim Brotherhood from power in July 2013, Jordan regained its previously excellent political and economic relationship with Egypt. This has not guaranteed a better energy supply, however, as attacks on the Sinai pipeline have resumed. Although Abdullah was one of the first regional leaders to appeal to Assad to step down, Jordan has been careful to stay officially neutral in the conflict against Assad. However, it has participated with other neighboring countries in the U.S.-led coalition against the IS since September 2014. Bilateral relations with Iran thawed in late 2010, as Iran started to reach out, especially after the election of Hassan Rouhani. The population does not share the state’s officially friendly attitude toward the United States, and especially Israel. There are regular calls to suspend the peace treaty between the two countries as well as demonstrations against Israel that draw much larger crowds than protests for political or economic reform. Relations have been

under even more duress since the recent disruptions to access of the al-Aqsa Mosque and the last Gaza war. A treaty signed with the Palestinian Authority in March 2013 “reaffirming” Jordan’s custodianship of the holy sites in Jerusalem – to protect them from “Israeli escalatory Judaization measures” – and the recall of its ambassador to Israel in November 2014 signify new lows in bilateral relations. Tensions are now jeopardizing an unprecedented \$15 billion gas deal. Signed in 2014, it stipulates that Israel would supply the kingdom with natural gas over a 15-year period, reducing its dependence on Egyptian gas. Other “historic” agreements seem on track for the moment, such as a water-sharing deal between Jordan, Israel and the Palestinian Authority, which was signed in December 2013. With regard to the Palestinian Authority, 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.

Strategic Outlook

With the country's heavy dependence on external financial assistance, the turmoil in its neighborhood strongly dims Jordan's future prospects, despite the recent positive trends of increased foreign currency reserves, manageable inflation rates, slow but increasing economic and decreasing budget deficits. Hopeful predictions for Jordan's economy are based on the assumption that the regional situation will stabilize and the refugees will soon return to their countries of origin, an unlikely prospect at this point. Thus, the government remains in a position where it must either cut expenditures or increase revenues drastically. While drastic cuts may be cushioned by GCC aid and the IMF stand-by agreement, Jordan's continued dependence on external budget aid (grants) and credit loans is alarming. Jordan must put more effort into developing its export capacities and domestic production, as well as reducing domestic unemployment in the long run. Rising energy costs must be alleviated by a diversification of energy sources and suppliers in the medium term. Jordan's domestic revenue base should be expanded further. Additional tax reform is a priority, with the introduction of a comprehensive personal-income tax system as the eventual goal.

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 growing criticism stemming from within the traditionally loyal Transjordanian elements of the kingdom is troubling. Apart from economic reform, a more meaningful political reform would include more segments of society. A starting point could be a managed extension of institutional political participation, for instance by extending the powers of the parliament without reinforcing its patronage-heavy foundation. 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 and the growing danger posed by the instability in Syria and Iraq in recent years, the state organs of repression will keep a tight grip on the security situation, especially in rural areas. However, the previous strategy of avoiding heavy repression was very successful in preventing the escalation of conflict to new and uncontrollable levels and should be continued. With the IAF continually losing influence and support, the inclusion of Palestinians will be further deprioritized by the government. This is an issue of serious concern, as underrepresentation may lead marginalized groups to pursue their interests in extra-constitutional 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) and have not been repeated since, frustration with political stagnation still has the potential to trigger unrest. An inclusionary strategy should also be extended to the refugees; ironically, it is they who are alleviating the Palestinian-Transjordanian polarization, for they – as newcomers – are now the targets of discrimination as they face an overstrained humanitarian infrastructure.

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 various fronts. He has established himself as a reliable partner for other Arab states, and at the international level for major international powers such as the United States, which continues to depend on Jordan, particularly given the currently tense U.S. relations with Egypt and Saudi Arabia. Jordan must therefore continue to resist chain-ganging pressure by any block in order to avoid destabilization and over-dependence on external benefactors such as Saudi Arabia.