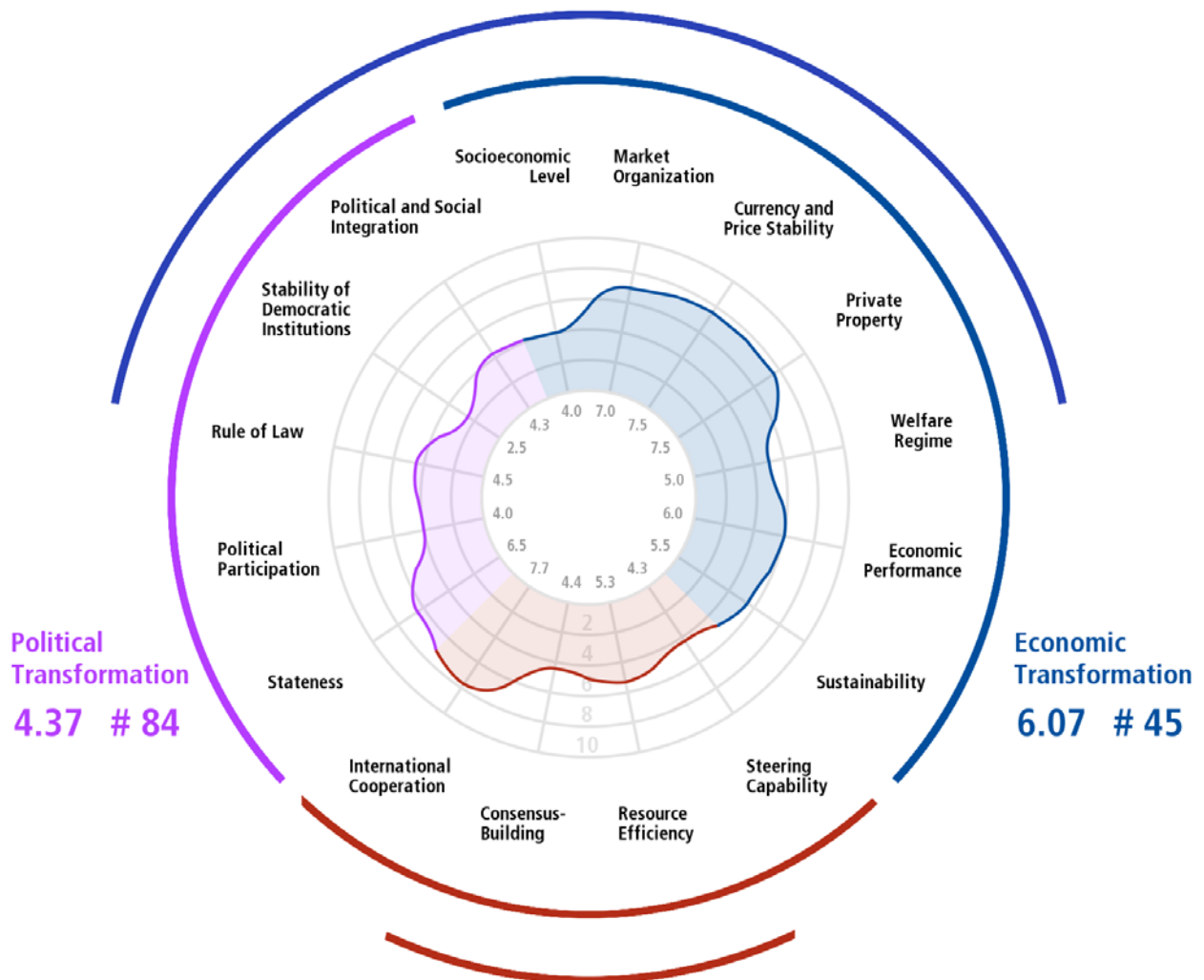


Jordan

Status Index

5.22 # 72

on 1-10 scale out of 129



Governance Index

4.84 # 70

on 1-10 scale out of 129

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2018. It covers the period from February 1, 2015 to January 31, 2017. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

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Contact

Bertelsmann Stiftung
Carl-Bertelsmann-Strasse 256
33111 Gütersloh
Germany

Sabine Donner

Phone +49 5241 81 81501
sabine.donner@bertelsmann-stiftung.de

Hauke Hartmann

Phone +49 5241 81 81389
hauke.hartmann@bertelsmann-stiftung.de

Robert Schwarz

Phone +49 5241 81 81402
robert.schwarz@bertelsmann-stiftung.de

Sabine Steinkamp

Phone +49 5241 81 81507
sabine.steinkamp@bertelsmann-stiftung.de

Key Indicators

Population	M	9.5	HDI	0.741	GDP p.c., PPP \$	9050
Pop. growth ¹	% p.a.	3.2	HDI rank of 188	86	Gini Index	33.7
Life expectancy	years	74.2	UN Education Index	0.718	Poverty ³	% 2.1
Urban population	%	83.9	Gender inequality ²	0.478	Aid per capita \$	234.7

Sources (as of October 2017): The World Bank, World Development Indicators 2017 | UNDP, Human Development Report 2016. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

If during the period of 2011 to 2013 Jordan was characterized by uncertainty generated by the so-called Arab Spring, then the subsequent period (2014-2017) can be portrayed as consolidation. During this period, the state reaffirmed its control over the political space and the process of democratic reform. At the same time, the Kingdom faced an unprecedented level of pressure on its natural resources and infrastructure from the increasing refugee population from the civil war in neighboring Syria. This pressure has highlighted the acute deficiencies of the domestic economy, specifically successive governments' inability to bring unemployment down to single digits and reduce government spending to sustainable levels.

Under the leadership of King Abdullah II, Jordan has remained stable in the midst of regional turmoil emanating from Iraq and Syria. Democratic reform has however been a causality of maintaining security. In record time in early 2016, parliament approved constitutional amendments strengthening the executive at the expense of the legislative and judiciary. The King is now able to unilaterally appoint the head of the General Intelligence Directorate (GID); chief judge and all members of the Constitutional Court; the Chief Justice; head of the Gendarmerie and commander of the army. These appointments previously required the countersignature of the prime minister or minister of the relevant ministry. While ceremonial in substance, this at least gave the legislative arm of government space for debate. The pretense of accountability no longer exists.

With regards to the public sphere, and its role in democratization, the assassination of writer Nahed Hattar in September 2016 reignited the discussion about the role of the internet in fostering hate-speech and radicalization. The government of Prime Minister Hani al-Mulki has responded by further restricting online freedoms with media gags and enforcement of the 2012 Press and Publications Law, which holds websites responsible not only for published content but also public commentary. Ironically, many in Jordan see the government as complicit in the assassination by

publicly condemning Hattar before his trial began, thus encouraging hate-speech and inflamed emotions in the online sphere.

Economically, Jordan continues to struggle with a persistent reliance on external financial loans and aid. Macroeconomic improvements in foreign reserves and free trade have not made any noticeable impact on unemployment. The budget deficit and poor balance of trade from 2016 are projected to continue into 2017, necessitating further finance from Jordan's international donor community. Access to credit remains difficult due to conservative lending practices, limiting the capacity of small and medium enterprises (SMEs) – over 90% of the private sector – to expand. The latest investment law (2015) offers substantial tax and ownership incentives and should streamline the process for establishing foreign firms in the Kingdom overtime.

History and Characteristics of Transformation

The present circumstances of Jordan's democratic trajectory are the latest phase of a process that began in earnest in 1989, with the first general elections since 1967 and the end of martial law. This moment of political liberalization was simultaneous with a program of economic liberalization which brought Jordan into line with the post-Cold War neoliberal Washington Consensus. King Hussein artfully steered Jordan through the 1991 Gulf War, peace with Israel through the 1994 Wadi Araba Agreement and worsening microeconomic conditions in the mid-1990s.

The ascension of Abdullah II to the throne in 1999, following the death of King Hussein, was met by many Jordanians with expectations of further reform and democratization. Economically, Abdullah II accelerated the neoliberal agenda initiated by his father, and macroeconomic reform has been at the forefront. The economy was further opened to the global market, and a number of high-profile privatizations of public assets were undertaken. Notable among these were the Arab Potash Company privatized in 2003, Jordan Phosphate Mines Company (JPMC) in 2006 and Royal Jordanian Airlines in 2007.

Results on the political front however have not been advocated for as ardently. As has been the case elsewhere in the region specifically and the world more generally, the 9/11 attacks were a catalyst for a paradigm shift in politics. The seemingly unending war on terror has facilitated an almost universal obsession with security, often at the expense of political reform. Jordan is no exception. The Amman hotel bombings in 2005 were a watershed moment. The legislative response, the 2006 Anti-Terrorism Law, gave the Gendarmerie and the General Intelligence Directorate (GID) new powers of surveillance and action that have been questioned by democratic reformists.

The paradigmatic emphasis on security has additionally served as an incentive for the maintenance of the differentiated treatment between Jordanians of East Bank and Palestinian origins. Born out of the 1970 civil war, and accelerating after the 1988 disengagement from the West Bank, this

dichotomy refers to a spectrum of arbitrary discrimination. In general terms Jordanians of Palestinian origin are unofficially impeded from attaining positions within the public service, especially leadership positions in the Gendarmerie, GID and military. Discrimination of this variety is justified by some trans-Jordanian nationalists as a necessary defense mechanism against the de-facto imposition of an “alternative homeland” (watan al-badil) solution to the Palestinian-Israeli conflict.

Expectations for a new phase in the Kingdom’s reform trajectory arose through the unprecedented uprisings witnessed across 2011 and 2012. These appeared to be affirmed in the regime’s quick response: the sacking of then Prime Minister Samir al-Rifai, the establishment of a constitutional review and National Dialog committees, the creation of a Constitutional Court and changes to the Political Parties Law and the Public Assemblies Law. In this manner, the 2011 demonstrations initiated some substantial changes to political life. Though, since 2014 the state has re-established its control over the reform agenda, using security and apprehension regarding spill-over from Syria as key rationales. Terrorism was redefined in the Anti-Terrorism Law in the course 2014, rendering it extremely vague. The security apparatus has been given greater latitude to restrict voices of dissent in the public sphere. Constitutional amendments in 2014 and 2016 have reconsolidated the power of the executive vis-à-vis the legislature and the judiciary.

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 general, the Jordanian government possesses a monopoly over the means of coercion across the entire Kingdom. However, the depth of this monopoly has been questioned in certain spheres in recent years as a consequence of structural and circumstantial factors. Structurally, the state's relationship with the tribes (not necessarily Bedouin) that inhabit the Kingdom is ill-defined in terms of the prominence of tribal versus civil law. This is especially acute in relation to conflict resolution in inter- and intra-tribal feuds. Periodically these feuds manifest themselves in the form of violent and armed confrontation on university campuses across the Kingdom. In 2014 and 2016, there were a significant number of such incidents, with the state seemingly powerless to prevent their emergence. Conflict resolution of these cases also involved avenues of mediation outside of state courts.

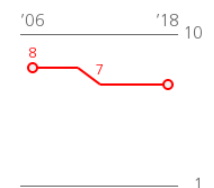
The ongoing civil war in neighboring Syria has threatened instability across Jordan's northern border. On June 21, 2016, a car bomb detonated at the northern border crossing of Rukban, resulting in the deaths of four Jordanian armed servicemen, a policeman and civil defense officer. A similar bomb was detonated in the Rukban refugee settlement on 22 January 2017 killing eleven.

There are also concerns regarding the activity of Salafi cells within Jordan. On 2 March 2016 security forces raided a residence in the northern city of Irbid to thwart a plot of the Islamic State (IS) group against the Kingdom. Fears were heightened again on 6 June 2016 when an attack occurred on an office of the Intelligence Service in the al-Baq'a refugee camp, resulting in the death of five employees. In December 2016, four gunmen stormed Karak Castle south of the capital Amman, killing ten. IS claimed responsibility.

Question
Score

Monopoly on the
use of force

7



As of early 2017 there exists no organized challenge to Hashemite rule in Jordan, and the institution of the nation-state is accepted by the majority of the population. At the same time, grievances do exist. The large population of Jordanian citizens of Palestinian origin (some figures suggest up to 60% of the population) have grievances associated with the Palestinian-Israeli conflict and feel particularly marginalized during elections. Since parliamentary life was reintroduced with the 1989 elections, the division of parliamentary seats across the Kingdom has favored populations outside of the three largest urban centers, Amman, Irbid and al-Zarqa, where the majority of Jordan's Jordanian-Palestinian population reside. On the one hand, this is to delimit the parliamentary influence of the Muslim Brotherhood, the preponderance of whose members live in these cities. On the other hand, it simultaneously reflects a concern shared by ruling elites and a number of East Bank origin Jordanians that their fellow citizens cannot be completely trusted.

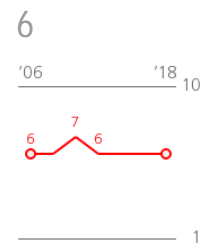
Jordanian citizens of Palestinian origin are not alone in experiencing limitations on their citizenship. The children of Jordanian mothers and foreign fathers are not granted automatic citizenship, as only Jordanian fathers can pass their citizenship status to their children.

Citizenship rights stipulated by the constitution are additionally circumscribed by legislative implementation, thus the practice of citizenship differs substantially from the principle. Article 15, Item 3 guarantees the freedom of the press "within the limits of the law." Therefore, a law such as the 2012 Press and Publications Law can circumscribe freedoms for Jordanian citizens (i.e., journalists and media consumers) provided for in constitution.

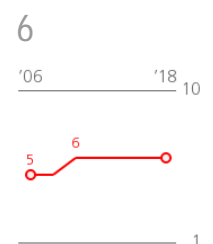
Article 2 of the constitution establishes Islam as the official state religion, and some of the King's authority is derived from his Sharifian status, meaning his descent from the Prophet Muhammad. In accordance with Article 14, all citizens are able to freely practice their religion in theory, whether it is Islam or not. However social norms emanating from religious practice hinder the practice of this theoretical equality. Actions perceived as blasphemous by the public could result in legal persecution. For example, in August 2016, Nahed Hattar, a Jordanian writer, was arrested for briefly sharing a cartoon on his Facebook page that mocks the depiction of God in the ideology of the terrorist group Islamic State. He was on trial for insulting God when he was assassinated by an Islamist outside the court. As well, an individual who, for whatever reason, decides to publicly leave Islam may not be safe in the context of rising dogma and fundamentalist thought.

Religious norms additionally influence the legal system in a more direct manner. Personal status law for example is determined by religious tenants for adherents of both the Islamic and Christian faiths. Therefore, questions pertaining to issues such as marriage, divorce and abortion are handled by religious courts – sharia courts for Muslims and their ecclesiastical equivalent for Christians. If individuals cannot

State identity



No interference of religious dogmas



mutually agree to submit their case to one of the religious courts, then the civil court system has jurisdiction over the case.

The Kingdom is divided into twelve governorates, with the majority of decision-making centralized in Amman. Local municipal councils are responsible for the distribution of utilities such as water with private operators involved as well. Although upgrades to the distribution system are underway, a majority of residences in Jordan receive their water from delivery trucks. In urban centers including Amman, apartment complexes will contain storage tanks that are filled on a weekly basis, determined by the presence of drought conditions. There have been advances in tackling the problem of water theft in the Jordan Valley. A number of illegal operations, including one with a storage capacity of 9,000 cubic meters, have been shut down.

In 2016 a new decentralization law was approved by both houses of parliament, with implementation to begin in 2017. Depending on how the implementation is managed, greater decision-making capacity could be transferred to the level of local government, rendering municipal councils and government bureaucracy more responsive to local needs.

The Kingdom has a history of education provision that has resulted in Jordanians being among the most educated in the region with primary, secondary and tertiary levels. Jordan's 2014 Human Development Index (HDI) rank was 80 out of 188. Its score of 0.748 increased 25.8% between 1980 and 2014 despite fiscal limitations and pressures from the influx of Iraqi and Syrian refugees.

2 | Political Participation

Jordan has a bicameral parliament, consisting of a chamber of deputies (Majlis al-Nuwab) whose members are elected by general ballot; and a senate (Majlis al-Ayan), that is appointed by the King. Elections have been conducted regularly since 2007 at intervals (2010, 2013, 2016), and all Jordanians over the age of 18 are eligible to vote upon registration irrespective of gender.

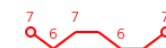
The secrecy of the ballot process has improved with the introduction of local and foreign monitoring. This was necessary after widespread fraud was discovered in 2007. An Independent Electoral Commission (IEC) was established in 2011 and cameras were installed in booths across the Kingdom for the 2016 elections. Counting is conducted by the IEC with international monitors observing. While public confidence improved as a consequence of these measures, it remains fragile, evidenced by voter turnout of just over 37%.

This is not without justification, as in the aftermath of the 2016 elections, 11 boxes of ballots went missing in Badi al-Wasat district, and while most were recovered with

Basic
administration

7

'06 '18 10



1

Free and fair
elections

5

'06 '18 10



1

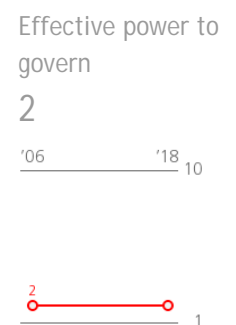
seemingly little influence on the final count there was no re-run, leading to some discord from candidates who failed to win seats. The fragility of confidence is further compounded by the results. Jordanians do not vote for the prime minister and the government, but rather for individual candidates to represent their district. The king is able to constitutionally appoint the prime minister unilaterally without consulting the parliament. Such was reflected after the 2016 poll where Hani al-Mulki was appointed to form a cabinet before the final composition of the parliament was known. Further, not a single member of al-Mulki's cabinet were members of the Chamber of Deputies.

In 2016 the principle of multiple votes determined by the number of seats available in the voter's district was re-instituted for the first time since 1992. This meant that Jordanians could cast multiple votes, providing an in theory greater opportunity for political parties and non-tribal independent candidates to campaign on ideological or substantive issues. The Islamic Action Front (IAF) was the most successful, though not exemplary in this. Many candidates continued, unsurprisingly, as evident from many of the campaign banners across the Kingdom, to campaign on slogans rather than issues.

Subsequently, although the 18th parliament has a more diverse number of voices than has been witnessed recently, the elections confirm that one round of voting is insufficient in of itself to change voting culture. Hence the principles of the law must be maintained over successive electoral cycles if alterations to voter and candidate behavior are to be registered.

The government has the power to govern but with important caveats. First, the agenda is not set by the government in isolation, but with consultations with other institutional forces, particularly the Royal Court and the Security Services in areas of domestic policy. In terms of economic policy, the international donor community led by the IMF and the World Bank influence policy making at the pre-draft stage, therein shaping government responses. This is undertaken through loan arrangements and other fiscal agreements that Jordan has signed.

The king wields considerable power over the legislative system as the head of the executive. His powers include the ability to appoint and dismiss the prime minister, convene parliament for extraordinary sessions, dissolve the parliament, and ratify all legislation before becoming law. If a bill is rejected it is sent back to both houses for review. If both chambers pass the bill by at least a two-thirds majority, the king's veto is rescinded and the bill becomes law.



The Jordanian constitution grants the freedom to form and join political and civic associations. Article 16 guarantees freedom of association, stating that all “Jordanians shall have the right to hold meetings within the limits of the law;” and further that they “shall have the right to establish societies, unions and political parties provided their objective is lawful, their methods peaceful, and their by-laws not in violation of the provisions of the constitution.”

Political parties have been legal since 1992 and represent at least four main currents within society: Islamists, who include the Islamic Action Front (IAF) which is affiliated with the Muslim Brotherhood, Arab nationalists, leftists and national conservative. With the possible exception of the IAF, parties in Jordan are weak and their influence remains severely limited.

Associational life is circumscribed substantially by legal parameters and monitoring by state security forces. If a group wanted to protest for example, they are legally required to notify the local police in advance. And although unions are allowed, there are two streams, the official and sanctioned stream, and the independent and unofficial stream. The former being closely linked to the government of the day is unable to act unilaterally to improve members’ rights; and the latter being unofficial risks inviting interference from the security services if too much disruption is caused in the process of campaigning for greater rights. The Teachers’ Union which was finally established in the wake of the 2011 uprisings, is one of the most active, vocal, and at times critical unions. They have campaigned heavily against aspects of the new curriculum to be implemented in 2017.

Analogous with freedom of association, the constitution guarantees freedom of expression to all citizens. Article 15 declares the state’s duty to “guarantee freedom of opinion” for all Jordanians who may express themselves across all media. The same article additionally provides for freedom of scientific and literary enterprises on the condition that they do not “violate the provisions of the law or public order and morality.” Press and other media organizations and platforms similarly enjoy freedom of publication as long as it keeps within the parameters of relevant laws.

Subsequently, the extent to which citizens are able to practice sanctioned association and publication of opinion through the media is delineated by legislation and, in some circumstances, public expectations as to what constitutes acceptable behavior.

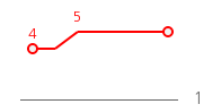
Therefore, legislation may be and is utilized as a tool to restrict constitutional freedoms. The 2012 Press and Publications Law and associated amendments exemplify this. Under the law websites, whether privately operated or belonging to an organization, are responsible for the comments and all user interaction.

Therefore, it is not just published content that can lead to prosecution, but also comments from site visitors. It is an established reality that journalists practice self-censorship. The arrest of writer Nahed Hattar in August 2016 for posting a cartoon

Association /
assembly rights

5

'06 '18 10



Freedom of
expression

4

'06 '18 10



on his Facebook page considered insulting to religion is a case in point. Despite the challenging environment however, Jordan possesses a fast-emerging sector of independent investigative journalism active online. 7iber.com (pronounced hiber), active since 2007, is one of the stalwarts of this sector, and has had to relocate to different web addresses in the past to avoid government censorship. Another example is that is visited often is aramram.com which offers internet news television of local content developed into short videos with in-depth analysis.

3 | Rule of Law

The relationship between the executive, the legislative and the judiciary is inextricably blurred. The king, who is the head of the executive, appoints the prime minister, the entirety of the senate, can recall and dissolve parliament unilaterally and appoints judges. By extension, the king is actively involved in the legislative process. The Royal Court meanwhile has a role in shaping the sitting government's agenda. Furthermore, amendments to the constitution approved in 2016 grant the king extra powers of appointment. He is able to appoint the head of the General Intelligence Directorate (GID) and all members of the Constitutional Court without any ministerial oversight or countersignature.

Jordan has three main varieties of courts: civil, constitutional and special, with the latter pertaining to military and security matters. They are all established as independent entities, and in minor matters, where the strategic interests of the state and ruling elites are not at stake, generally operate as such. Public trust in the legal system is weak, with the Arab Transformations Project registering a trust rating of 44.7%. Questions over the independence of the judiciary coalesce primarily around the manner by which judges are appointed.

The king has a central role in appointing judges to these courts. Article 58 of the constitution outlines that all nine members of the Constitutional Court are appointed by the monarch; and their counterparts in the civil and sharia courts are, in accordance with Article 98 appointed by a royal decree. A Judicial Council operates without prejudice to the relevant royal decrees in selecting judges to preside over civil courts; while the prime minister nominates judges to sit on the Special Security Court (SSC), which thus consolidates the executive's role within the structure of the judiciary.

Another example of the executive's ability to interject into the legal system is in the act of royal pardons. These often have an expressed political rationale, either to consolidate support among elites or elicit public opinion. The extent to which ruling elites seek to interfere in the judicial process is reflected in a recent Freedom House report which documented that close to two-thirds of Jordanians believed that interference in the judiciary occurred. Although public opinion remains opinion rather than fact, it does suggest that establishing a clear separation between judiciary and the other powers is tenuous.

Separation of powers

3

'06 '18 10



Independent judiciary

5

'06 '18 10



Prosecution of public officials charged with corrupt practice is arbitrary, and subject to the larger strategic objectives of ruling elites. A scandal erupted in 2016 when it emerged that of the 109 individuals hired as parliamentary staffers, 15 were sons and the majority of the remaining were close relatives of sitting members. At the time of writing (January 2017), no new standards of transparency for the hiring of parliamentary staff have been implemented, nor were charges brought against sitting members of parliament.

This is not to say that prosecutions of high-profile individuals do not occur. The 2010 conviction of Khalid Shaheen for bribery in the \$1.2 billion Jordan Petroleum Refinery Co. (JPRC) contract scandal illustrates that the system can successfully prosecute individuals. However, the Shaheen case additionally demonstrates that powerful connections can assist in evading the law. Shaheen famously claimed illness requiring an overseas sojourn for medical treatment. In an embarrassment for the government, he was later photographed in a café in London, a beacon of health. He was later returned to Jordan where he served a three-year sentence.

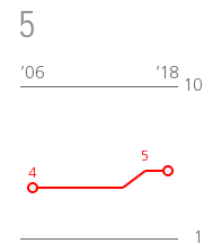
The Jordan Integrity and Anti-Corruption Commission (JIACC) has been rather active since its establishment in June 2016 (by merging the former Anti-Corruption Commission and the former Audit Bureau), with up to 30 ongoing cases of alleged corruption that the government has referred to the JIACC. First cases have been referred to the prosecution for further investigation.

Civil rights including freedom of religious worship are guaranteed by the constitution, yet the implementation of and respect for civil rights in the public sphere does not meet the theoretical strength of the constitution. In narrative terms, the language of security has overwhelmed that of reform in the Kingdom and is reflected in a number of key areas. To begin, the 2014 amendments to the Anti-Terrorism Law redefined terrorism in such a way so as to encompass acts perceived to “sow discord” and/or “disturb public order.” Thus, peaceful demonstrators could be tried under terrorism legislation within the jurisdiction of the SSC.

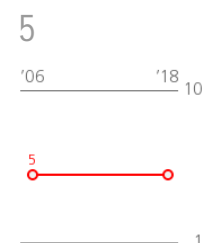
Over 300 websites have been blocked in the past several years, and numerous programs designed at educating youth about the appropriate use of the internet have been initiated. While some of these programs have positive outcomes in mind, such as decreasing the dissemination of hate-speech online, others have more political objectives in mind. This is concomitant with increased surveillance of social media.

The Friday sermon (khutbah) has come increasingly under surveillance in the wake of a series of terrorism incidents in the kingdom during 2016. While sermons have been monitored for decades, 2016 saw mosques in the capital Amman closed for Friday worship, directing people elsewhere. Furthermore, under the Preaching and Guidance Law, a number of imams have been banned from preaching over alleged Islamic State sympathies.

Prosecution of office abuse



Civil rights



Personal freedoms for women are limited, with practices such as honor crimes and domestic abuse, ignored by the government, especially in conservative and tribal areas. This is concerning because according to Human Rights Watch, the number of registered cases of honor killings in Jordan doubled in 2016 from 2015. Jordan's personal status code retains gender bias. It is more difficult for women to acquire custody of children in the event of a divorce, and the law does not recognize marriages between Muslim women and non-Muslim men, although such unions between Muslim men and non-Muslim women are.

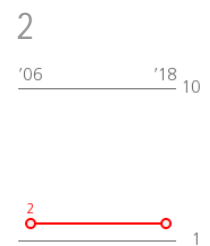
Homosexuality is not illegal in Jordan, although social convention does not support homosexual relations. Thus, while the law in principle does not discriminate against relations it does not defend them in the face of social pressures either. Torture is a sensitive issue in Jordan. On the one hand, the country's ten-year Human Rights Plan contains a number of provisions aimed at strengthening protections against torture and provides for more severe sanctions for convicted perpetrators. On the other hand, cases of alleged police misconduct and torturing of detained individuals are dealt with by police courts and internal tribunals that are neither transparent nor open to public scrutiny.

4 | Stability of Democratic Institutions

Jordan's democratic institutions, including the parliament, exist within the context of a semi-authoritarian state, with a powerful executive that is able to wield decisive influence over the judiciary and legislature. Thus, although Jordan is officially a constitutional monarchy with delineated roles for the executive, legislature and judiciary, in practice the lines between them are blurred, and this influences the performance of the relevant institutions. Jordanians are able to directly elect a number of officials at the levels of the municipal, mayoral (except the Mayor of Amman) and Chamber of Deputies.

The capacity of the Chamber of Deputies to operate as the parliamentary engine room of democratic governance is impeded by a number of significant factors. Four in particular are worth mentioning. First, although all of its members are directly elected, the distribution of seats across all districts is not representational, therefore disjointing the numbers of deputies. Second, the chamber does not appoint the prime minister, the king does. Although a 2011 constitutional amendment stipulates that the king must consult the chamber, the appointment of Hani al-Mulki as prime minister in 2016 demonstrates that this stipulation does not need to be followed. Third, the incumbent government, being appointed by the prime minister, does not have to derive its members from the chamber, as is the case of the current, second Mulki Government. Fourth, legislation passed by the deputies needs to be accepted by the senate whose members are appointed by the king. Thus, voters are unable to wield influence over senators, whose positions are given and taken away by the king.

Performance of democratic institutions



Therefore, improving democratic potential involves addressing each of these factors and interjecting citizen participation into them. For example, there could be more stringent monitoring of prime minister appointments to ensure the chamber has input. All future cabinets could include a percentage of deputies. And a percentage of senate appointments could be made through general elections.

In principle the democratic game and its associated institutions (local government councils, the parliament) and mechanisms (elections) are accepted as legitimate by the majority of civil society and government actors and organizations. Questions emerge concerning the practice of these institutions and their mechanisms. Voter turnout in the 2016 elections for example was less than 40%. In part, this is a result of the pervasive belief that the individuals operating within the parliament were corrupt and non-responsive to the needs of the citizenry. On a related level, it also relates to the perception that democratic practices such as elections while desirable, do not, in Jordan's case, lead to systemic change in the leadership of the country.

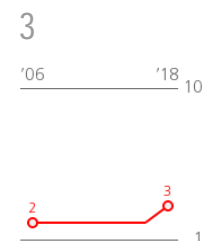
Integral to the problem are the conflicting interests of groups, and how they see democratic methods as a means to an end. Military veterans, who constitute one of the largest and influential interest groups, utilize parliamentary elections and civil society to continue the flow of benefits even during a period of austerity. If democracy meant that such benefits were rescinded, support for democratic practice and principle would likely be reduced. This contrasts with the platform on which Shaghaf (Youths for an Active Tomorrow) operate. The focus of this and other youth-based collectives is for an opening of the system to make it more responsive to the democratic impulses and employment demands of Jordanian youth. Consequently, there is an absence of consensus in the opposition regarding what kind of democracy is desired and what the desired objectives of it will be.

5 | Political and Social Integration

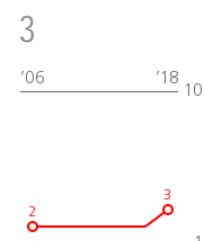
Jordan's system of political parties encompasses four broad streams: Islamists, with the Islamic Action Front (IAF) as the largest and best organized of all parties in Jordan; Arab nationalists, including the Arab Socialist Ba'ath; leftists, such as the Jordanian Communist Party; and national conservative, with Stronger Jordan one of the more active parties. These are not necessarily distinct categories and some overlap does exist. With the exception of the IAF, parties do not possess complex bureaucratic structures capable of formulating policies and presenting alternatives to the sitting government. It has been reported by party leaders that the General Intelligence Directorate (GID) interferes in party development and thereby contributes to this institutional weakness.

Under these constraints, parties' influence has changed demonstrably since independence. Leftists, including the Jordanian Communist Party, dominated the political spectrum during the 1950s, before the institution of martial law following

Commitment to democratic institutions



Party system



the 1967 Six-Day War decimated party politics. Martial law remained until 1989, with parties legalized in 1992.

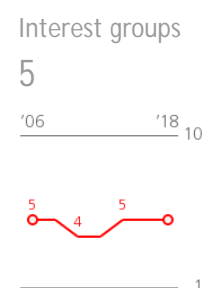
Since then, all parties with the exception of the IAF have struggled to gain traction within the electorate, and have instead survived primarily through small client-oriented circles. This is reflected in the election results since the 1993 elections which show parties capturing only insignificant shares of the parliamentary vote, thus limiting their presence in the parliament. Hence, their collective ability to articulate community concerns and interests and to influence policy is curtailed significantly. A further indicator is the tendency for parliamentarians to form blocs as a tool of collective action, rather than act within party structures. In turn, this is indicative of the fragmentation of the party system. There are no institutionalized coalitions between parties in Jordan, and it is rare for parties to campaign together on issues over which there may be ideological compatibility.

Yet, poor party representation is not just a matter of internal organization, but simultaneously one of wider structure. The single non-transferable vote (SNTV) is central here, as it has encouraged voters to vote along kinship lines rather than on an ideological or policy basis. This has produced parliaments comprised predominately of so-called independents whose modus operandi is to provide resources to their clientele voter base, rather than act in the national interest. Even though the SNTV was replaced by a multiple-votes per voter mechanism for the 2016 elections, the majority of Jordan's political parties (totaling over forty) were unable to take advantage. This is not surprising as over twenty years of structural constraints have delimited their ceiling of action. Voter knowledge of party platforms let alone confidence is subsequently low in Jordan.

A further restricting factor that remains in place is the longstanding practice of gerrymandering electoral districts. The division of districts allocates more parliamentary seats to the population residing outside of the three largest urban settlements (Amman, Irbid and al-Zarqa). This is despite the reality that the majority of the population resides in these cities. A ramification is that rural communities are over-represented in the parliament, therefore distorting the parliamentary articulation of public interests.

The capacity for unions to represent the interests of workers is impeded by at least two realities. One is the legislative environment, which limits the capacity for strike action. The other is the existence of two streams of unions, official (state sanctioned) and independent (non-state sanctioned). Limitations aside, Jordan's twelve professional syndicates have a long-established history as mediators between members and political elites.

Owing to deficiencies of the parliament, elections within the syndicates are sites of fierce campaigning and competition when internal elections are conducted. The engineers, doctors and lawyers remain the most influential of these professional



organizations, although the teachers' syndicate is emerging as another significant player. The teachers have been instrumental in mounting a campaign against government plans to overhaul the national curriculum, and have been successful in attracting public support from outside their ranks. Wider cooperation between different syndicates is issue dependent.

Youth movements cannot be ignored, especially in the context of their role in initiating and sustaining the uprisings of 2011. Collectives, including the multi-faceted al-Hirak (the Movement), Jayeen (We are Coming) and more recently Shaghaf, have been vocal and novel advocates for Jordanian youth. Their long-term influence however remains to be seen.

Democratic norms and procedure are widely supported by Jordanians. The third (2012) Arab Barometer survey recorded 81% of respondents agreeing or strongly agreeing that democracy was the best system of government. Yet concomitantly, only 57% of the same respondents thought that democracy was "appropriate" for Jordan; a decrease of five percentage points from the previous Arab Barometer's findings.

The Arab Transformations Project by the University of Aberdeen ("ArabTrans", released in 2016) meanwhile found 89.8% of surveyed Jordanians identifying democracy as better than alternative systems. Interestingly, 60.3% of these respondents thought that legislation should be made in accordance with popular will. While this may appear to be low in the context of the high support for democracy, it could be more indicative of the low opinion held for parliamentarians in the kingdom, rather than a reflection on the parliamentary legislative process in the abstract.

Trust in institutions is mixed. The "ArabTrans" reveals that Jordanians place substantial trust in the armed forces, with a rating 87.8%, followed by the police (83.4%) and the courts and legal system (54.7%). Contrastingly, trust in the fusion of religious and governing institutions is a more complex image. On the one hand, 74.8% of Jordanians surveyed for the "ArabTrans" thought that the government should implement Shariah law in full, while 24.4% said a partial implementation would be sufficient.

This desire does not however reflect itself in trust in religious leaders or in preferences for religiously-based political parties. Regarding the former, 37.6% of Jordanians trust religious leaders, and 48.8% would prefer to vote for a religious party, which together suggest a healthy skepticism.

Jordan contains a large array of local and international civil society organizations. Some like the Jordan Hashemite Fund for Human Development (JOHUD) are affiliated with the Royal family; others including the longstanding UNRWA are international. There are also millennial additions to the spectrum, such as I-DARE for Sustainable Development. Yet the existence of such organizations cannot be conflated with popular support grounded in social capital. When asked about civil

Approval of
democracy

n/a

'06 '18 10

n/a

1

Social capital

5

society organizations for the “ArabTrans” project, only 31.7% of respondents said they trusted them, which is suggestive of the skepticism held by Jordanians regarding the political motives of civil society organizations. Associations run by younger Jordanians including Leaders of Tomorrow are active in changing this skepticism.

However, according to the third Arab Barometer Survey released in 2014, 91% of Jordanian respondents said they felt secure or highly secure; indicative of the level of trust in the immediate wider community.

II. Economic Transformation

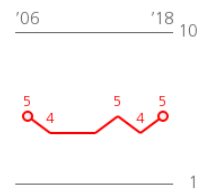
6 | Level of Socioeconomic Development

The Poverty Reduction Scheme 2013-2020 (PRS) aims as a continuation of the 2006 National Agenda to eradicate poverty in the Kingdom, and although there have been some considerable successes in stimulating employment growth within the private sector, more inclusive growth to support employment opportunities is needed.

While Jordan has gradually increased its score in UNDP’s Human Development Index (HDI) with a value of 0.748 in the 2014 edition, its rank has decreased, now at 80 compared to 62 in the 2005 edition. As HDI’s Multidimensional Poverty Index (MPI) enunciates, the Arab World has among the highest ration of rural-to-urban poverty globally. Jordan, with 89.9% of its population now residing in urban settlements, is not exempt from this. 81% of Jordanian responses to the latest Arab Barometer survey stated that the economic situation in the Kingdom (encompassing poverty, prices and unemployment) constitutes the greatest challenge going forward. This is indicative of the concern many Jordanians have regarding their ability to live a just life with access to opportunity and sustainable employment.

Data from the Jordanian Department of Statistics state that the aggregate unemployment rate by the end of the third quarter of 2016 reached 15.8%. Unofficial sources suggest the rate is close to double this. Each year, 120,000 young Jordanians enter the job market, with only 40,000 acquiring positions. There is close to 30% unemployment for Jordanians aged between 15 and 24. Only 18.4% of the total workforce was female in 2014, according to the World Bank.

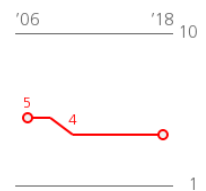
A substantial gap persists between the household income/consumption by percentage, with the lowest 10% of households according to the CIA Factbook accounting for 3.4%, whereas the highest 10% constituting 28.7%. Furthermore, Jordan’s total dependency ratio, measuring the number of individuals likely to be dependent on the working population is 64.8%. This suggests that the economy struggles to provide adequate services and support to young and elderly cohorts. Jordan’s youth dependency ratio of 58.5% is indicative of the need for further investment in education and youth services to reduce dependency.



Question
Score

Socioeconomic
barriers

4



Economic indicators		2013	2014	2015	2016
GDP	\$ M	33593.8	35826.9	37517.4	38654.7
GDP growth	%	2.8	3.1	2.4	2.0
Inflation (CPI)	%	4.8	2.9	-0.9	-0.8
Unemployment	%	12.6	11.9	13.1	13.2
Foreign direct investment	% of GDP	5.4	5.6	3.4	4.0
Export growth	%	2.6	7.5	-9.0	-2.6
Import growth	%	4.3	-0.9	-3.0	-6.9
Current account balance	\$ M	-3504.0	-2607.9	-3331.7	-
Public debt	% of GDP	86.7	89.0	93.4	95.1
External debt	\$ M	23173.4	24281.4	25719.6	27125.9
Total debt service	\$ M	937.9	1341.3	2124.9	2464.5
Net lending/borrowing	% of GDP	-5.5	-2.3	-3.5	-
Tax revenue	% of GDP	15.3	15.9	15.4	-
Government consumption	% of GDP	18.5	19.3	18.7	19.9
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	4.9	5.2	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	4.3	4.3	4.3	4.6

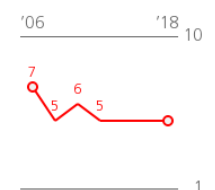
Sources (as of October 2017): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Although the private sector has expanded along market lines, the public sector remains a central economic actor, spending 35.6% of GDP in 2016. Jordan is a member of the Multilateral Investment Guarantee Agency (MIGA), and all investment projects are exempted from income and social services taxes by 25%, 50%, or 75% for a ten-year period, depending on sector. Investors are able to freely repatriate capital, project profits and salaries of non-Jordanian employees. The currency is pegged to the US dollar, which has provided stability during turbulent periods, and is freely convertible. Administered pricing remains an important domestic political tool through subsidization schemes keeping the price of a number

Market-based competition

5



1

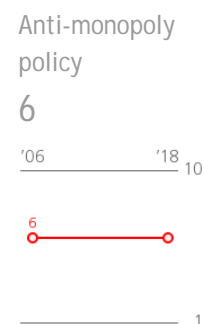
of commodities below market rates, including wheat, some meat products, electricity and fuel.

Since 2012, the minimal capital requirement for starting a business from JOD 1,000 to JOD 1, and foreign ownership is allowed in a majority of sectors. Nevertheless, the country has suffered from an absence of consistent planning as evident in frequent alterations to the Investment Law. The World Bank gave Jordan a starting a business rank of 88 out of 189 measured states in 2016, which is a decrease of five places on the Kingdom's 2015 ranking. While its resolving insolvency rank of 146 out of 189 does not provide potential investors with confidence. Each is suggestive that changes made to the Investment Law in 2015 have not improved Jordan's competitive advantage in comparison to competitors. Reflecting this, the Heritage Foundation's Index of Economic Freedom, numbered Jordan 46 out of 186 in 2016.

Small-to-medium enterprises (SMEs) account for over 90% of the Jordanian private sector, many of these operate informally – that is do not pay tax or are not legally registered as the cost of registration is too high for many SME owners. The informal sector is evolving due to the influence Jordan's Syrian refugee population. No formal measurement of this sector exists. The International Labor Organization estimates that as many as 160,000 Syrian workers are working illegally in the informal sector, especially in the areas of construction, service (including hospitality) and agriculture.

Jordan was the first Arab country to legislate a competition law in 2002 under the Kingdom's temporary legislation rules. When parliament resumed, the bill (No.33) was approved in 2004. A Competition Directorate was established in order to implement the law. However, the directorate operates more as an investigative agency, than as a sanctioning force as it does not have the ability to prosecute anti-competitive behavior. Instead the Ministry of Industry and Trade is invested with the power to prosecute. Thus, the directorate's capacity to act and be recognized as an independent arbitrator is circumscribed. Compounding this are the close links between the central government and the directorate by virtue of the latter relying on the former with regards to its budget.

The Kingdom has witnessed some longstanding monopolies, but these are gradually being opened to competition. The domestic petroleum market was dominated by the Jordanian Petroleum Refining Company (JPRC) and its monopoly over diesel imports until 2016. Now, two other firms, French owed Total and the local Manaseer Oil and Gas, have entering the market. The government retains pricing powers until 2019 when fuel subsidies are projected to be abolished.



Jordan is a member of the Agadir Agreement and the World Trade Organization (WTO); and has signed a number of free trade agreements both regionally and beyond with Morocco, the United States and the European Union to name a few. In 2015 the country underwent its second trade policy review with the WTO. Members of the review “praised” Jordan’s commitment to the WTO and to multilateral trade more generally, noting the Kingdom’s role during the Doha Development Agenda (DDA) negotiations. The review was supportive of Jordan’s adoption of the Golden List, single window for investment, and the Automated System for Customs Data (ASYCUDA). It was anticipated all would improve trade facilitation. Regarding infrastructure, Jordan would do well to continue to upgrade its logistical capacities through improved road and rail connections, especially between the northern industrial heartland and the southern port of Aqaba.

Pertaining to regulation, the review saw benefits in the amendments to income tax, competition, customs, and public-private partnership laws, stating that Jordan’s trade environment would become more transparent and competitive as a consequence. The World Bank recorded an average tariff rate of 3.98% for 2015.

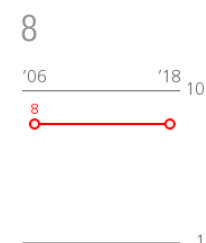
In terms of non-tariff barriers to trade, Jordan has a number of banned import items including narcotic plants and diesel passenger cars. Other items including biscuits (of all varieties), mineral water, baby food, milk, and potassium bromide, require the importer to apply for a special license from the ministry associated with the product.

Jordan’s banking system operates in line with the regulatory framework of Basel II with Basel III regulation being steadily implemented since 2011. It is important for Basel III to be instituted by 2019 especially with regards to capital adequacy ratios (CAR). Banks that do not or are unable to comply may find themselves with CARs from between -10.4% to 10.5% of the minimum requirements. An associated risk is that individual banks’ equity returns could be put at risk.

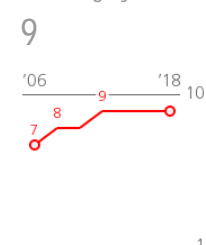
The sector in general is resilient and has weathered the negative pressures of both the 2008 Global Financial Crisis and the post-2011 regional volatility. The government has been responsive to the central bank of Jordan’s (CBJ) decisions on interest rates, enacting legislation such as lowering the minimal reserve requirement, and guaranteeing deposits which have maintained confidence in the sector. Access to credit however remains a challenge. A recent World Bank report gave Jordan an access to credit global rank of 185 out of 189 countries which is below the regional average of 136. The ranking indicates the conservative lending practices of Jordanian banks, not unsurprising given the nature of the geopolitical environment, and underscores that further regulation in the areas of bankruptcy and collateral could be considered to improve credit access.

Non-performing loans as a percentage of total gross loans in the Kingdom according to the World Bank constituted 4.8% in 2016. The capital-to-assets ratio over the same period was 12.6%. All of Jordan’s banks are required to submit to the 2014 CBJ

Liberalization of foreign trade



Banking system



Corporate Governance Code which outlines the necessity for transparency and stakeholder disclosure. According to Article 22 of the code, it is compulsory for all bank board members to ensure that they operate in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS). The Banking Supervision Department within the CBJ monitors the operations of banks to ensure compliance with the code and other regulations.

8 | Currency and Price Stability

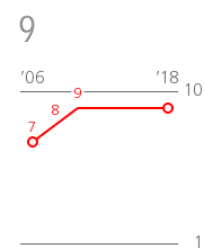
The central bank of Jordan operates as an independent institution with close ties to policymaking circles. The current governor of the central bank, Ziad Fariz, who is undertaking his second appointment as governor, (the first being between 1996 and 2001), served as deputy prime minister and minister of finance between 2005 and 2007.

The Jordanian dinar is pegged to the US dollar, which lends stability to the real effective exchange rate even in periods of geopolitical uncertainty. The rate as recorded in 2016 remains around 0.7 JOD = 1 US (\$). Jordan's inflation (CPI) rate has fluctuated over the course of the decade, from a high of 13.9% in 2008 to a low of -0.7% the following year in 2009, according to the CBJ. The government of former Prime Minister Abdullah Ensour raised fuel prices in November 2012 by removing state subsidies, resulting in an increase in inflation to 5.5%, before dropping to 2.8% in 2014. The following two years have witnessed deflation (-0.9% and -0.8% in 2015 and 2016 respectively). Although this has improved the value of the dinar in circulation, it will apply pressure to private debt. If the government persists in removing all subsidies on electricity by 2017 similar pressures may emerge.

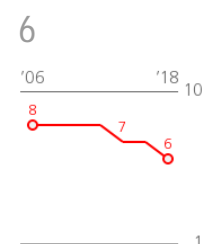
Macroeconomic stability remains a central objective of government policy, which in the past, has focused on ensuring that the central bank has sufficient capital reserves. Jordan is a semi-rentier state with a historical legacy of a large public sector comparative with its population size. The public expectations this has engendered has rendered attempts to quickly restructure the economy difficult. The Kingdom's budget remains in deficit, with a balance of -6.5% of GDP and public debt growing to 90.6% of GDP in 2016.

Jordan's structural deficiencies do not help the situation, including the country's reliance on energy imports which keeps energy prices high and therein threatens the development of an attractive investment environment. Budgetary pressures have also been generated by the refugee crisis from neighboring Syria. However, Jordan enjoys substantial international support in its reform agenda, demonstrated most recently by the Extended Fund Facility (EFF) arrangement with the IMF, recently approved for another three years. The objective is to assist policymakers consolidate the fiscal environment by lowering public debt and encouraging further growth.

Anti-inflation /
forex policy



Macrostability



9 | Private Property

As a signatory to both the World Intellectual Property Organization and Paris Convention for the Protection of Industrial Property, the regulation and protection of property rights in Jordan are transparent and consolidated. The International Property Rights Index (IPRI) ranks Jordan 8th in the MENA region out of 18 and 45th globally out of 128 included states. Its score of 5.9 represents a 0.1 increase on the Kingdom's 2015 score, and points to a recovery toward the recent high of 6.1 from 2011. Scores across intellectual and physical property rights as well as the legal-political environment have remained more or less consistent over the past decade.

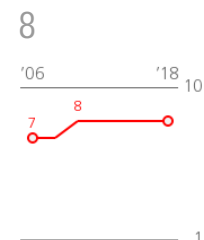
According to the World Bank, Jordan's global ranking on the ease of doing business scale has fallen from 83 in 2015 to 88 out of 189 economies, placing it above Turkey (94) but below the United Arab Emirates (60). The 2015 Investment Law will streamline this process and improve efficiency over time, provided that future incoming governments refrain from overhauling it as has been done in the past, causing business uncertainty.

Government rhetoric, and that from the King, locates Jordan's economic future in the expansion of the private sector. Privatization has been an important component of this, with a number of key asset sales. Notably, the Arab Potash Company was privatized in 2003, Jordan Phosphate Mines Company (JPMC) in 2006, and Royal Jordanian Airlines in 2007.

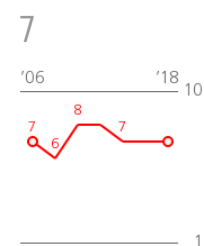
The state however has retained a central role as an economic actor. The World Bank has given Jordan's enforcing contracts regime a rank of 126 out of 189 (below the regional average of 102), with the cost of enforcement constituting on average 31.2% of the claim's value, and a timeframe of 689 days. The Heritage Foundation meanwhile calculated Jordan a score of 60 out of 100 in its assessment of property rights in Jordan as part of its overall rank of 68.3 for economic freedom. This assessment covers a number of key areas including the extent to which domestic laws protect the rights of property owners and are enforced; the probability of expropriation; and the capacity of individuals to own and accumulate property. Significantly this score has remained stagnate since 2013, suggesting that desired improvements from the updated investment laws are not dovetailing with other relevant legislation.

The World Bank locates Jordan's business registration rank at 98 out of 189. There is a seven-step business registration process involving the Ministry of Industry and Trade, the Tax Office, the local Chamber of Commerce or Industry, and if in Amman, the Greater Municipality of Amman (GAM).

Property rights



Private enterprise



10 | Welfare Regime

Jordan's formal welfare structure is developing but remains fragmented and has come under increasing pressure from the influx of Syrian refugees and tightening budgetary constraints. There is a general insurance scheme for employees in the formal sector, with both state and private providers in the market. The most recent census conducted at the end of 2015 records that 68% of Jordanian nationals, and 55% of the total population are covered by health insurance, which remains short of the 2011 plan for full coverage.

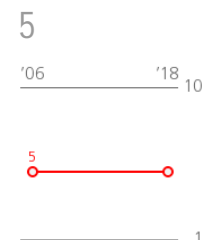
The Department of Statistics shows distinct divisions in the provision of insurance schemes. 41.7% Jordanians are covered by the Ministry of health, 38% by the Royal Medical Service and the remaining 12.4% of the citizen population have private cover. The non-government sector has an important role for the remaining sectors of the population, especially various religious charities, UNRWA operating in the Palestinian refugee camps, university hospitals, international aid agencies and international insurance firms. The armed forces meanwhile have a distinct welfare system for both active and retired personnel encompassing health care, education and pensions.

The state has a history of subsidizing commodities in the Kingdom. At present, the central bank allocates almost 2 billion dinars annually on consumption based subsidization schemes. The deficits that this generates are covered by financial aid from the international community, especially the IMF and World Bank. The target design of subsidization schemes is not efficient, with up to three million non-Jordanians, in addition to well-off citizens, benefiting from government programs, costing the budget an excess of JOD 1.5 billion per annum. The government plans to remove all subsidies on electricity by 2017.

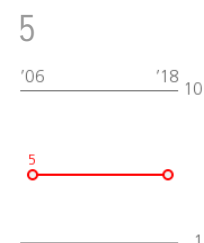
Jordan, similar with other countries in the Middle East contains large socioeconomic disparities. The highest 10% of the population accounts for nearly 30% of household consumption and income share. There is no legislated discrimination of religious minorities or Jordanians of Palestinian origin in education or the employment sectors. However de facto discrimination does occur in both. The public sector historically has been at the forefront of this. The upper ranks of the military and security apparatus staffed almost entirely by Jordanians of East Bank origins. Homosexuality, while not forbidden by law, is generally not socially accepted in Jordan, where there are hardly any mechanisms protecting gay rights.

Kinship networks perform significant roles in employment opportunities in both public and private spheres. In the public sphere, having a family member already located in a department or ministry can be advantageous for new applicants. In April 2016, it was revealed that of the 109 individuals hired to work in the parliament's

Social safety nets



Equal opportunity



Lower house, 15 of them were sons of parliamentarians (MPs) and the majority of the rest were related to sitting members.

MP Tarek Khouri commented “MPs cannot risk rejecting “wasta” (nepotism) from people in their constituencies, because they fear that they will lose them as voters.”

In the private sector, which is dominated by small-to-medium enterprises (SMEs), owner-operators often staff family members. The informal economy, agricultural and manufacturing sectors in Jordan employ a substantial number of non-nationals in their operations, and there are concerns of human rights abuses. The Ministerial Council approved the National Framework to Combat Child Labor (NFCL) to increase protections and penalties. Its implementation is being supported by the International Labor Organisation (ILO). However, progress has been slow, with Labor Watch Jordan reporting in 2016 that the exploitation of children under 16 (the legal working age in Jordan) in the workforce had tripled over the past decade as levels of poverty increased.

This been exacerbated by the increasing refugee population from Syria. An Amman based aid organization reported in mid-2016 that approximately 46% of boys and 14% of girls from the Syrian refugee community have been working more than 44 hours per week. Related to this, the UNHCR’s statistics show 35% of all Syrian refugee children of school age are not receiving education in Jordan, increasing the risk of generating an inter-generational poverty spiral. Women are at a disadvantage in accessing justice and participating in the labor market. Jordan has one of the lowest rates of female participation in the labor force (18.4%, 2014), with societal norms in particular continuing to impede women’s progress in these areas.

This is despite their high rate of literacy 97.5%, compared with their male counterparts 98.5%, (World Bank data from 2016) and education levels. Enrollment ratios in primary and secondary education are close, 51% for males and 49% for females between the ages of six and 15. It is in upper secondary education that women pull away from men, with 73.1% of female Jordanians between 16 and 18 are enrolled, compared with 65.1% for their male counterparts.

11 | Economic Performance

The Kingdom’s economy is stabilizing but remains weak and reliant on external finance and aid. GDP growth was recorded at 2.8% in 2016 and is forecast to be 2.6% in 2017, and then 3.1% and 3.4% in 2018 and 2019 respectively. Although an improvement on the 2015 recording of 2.4%, it remains within current historical trends (2.3% in 2010, 2.8% in 2013, 3.1% in 2014), and seems to confirm a stabilization from the fluctuating rates of the first decade of this century. GDP per

Output strength

6



capita meanwhile remains unchanged from 2014 at \$11,000, along with the rate of inflation (consumer price) which for a second year is deflated at -0.8%.

The budget remains in deficit, with revenues of \$8.649 billion lower than calculated expenditure of \$11.22 billion in 2016, constituting a deficit of -6.5% of GDP. Despite the King's reform endeavors, Jordan remains a semi-rentier economy with an unsustainable level of public debt, constituting 90.6% of GDP in 2016, which is a deterioration on the 2015 rate of 85.5% of GDP. Trade balance deficits are substantial, -\$3.566 billion with a depreciation of export values \$7.829 billion in 2015 to \$7.124 billion in 2016. Tax revenue is weak at 21.9% of GDP. Foreign reserves however remain strong valued at \$15.18 billion in 2016.

The majority of employed Jordanians in the formal sector are divided between the agriculture (2%), industry (20%) and services (78%) sectors of the economy, with services clearly constituting the largest. Unemployment remains stubbornly high in double digits, estimated at 13.1% in 2015 and 14.8% in 2016. These statistics however increase upward of 23% depending on the source, and for youth it surges again; 29.3% of the population 15-24 years of age, 25.2% for males and 48% for females.

12 | Sustainability

Environmental concerns are recognized at the level of government, mainly at the ministry of environment, and are expressed chiefly in economic terms. In September 2014, the Jordanian Atomic Energy Commission (JAEC) signed a development agreement with Rosatom Overseas to build, at a cost of \$10 billion, a nuclear plant near Qasr Amra in the Eastern Desert, targeting to begin operation in 2024-2025. At the same time, Jordan has invested massively in solar energy, particularly at Bayouna where the country's biggest solar field is projected for 2017. Once operational in 2019, 563.3 gigawatts will be produced here annually.

Water has also been a perennial policy concern, and Jordan developed a National Water Plan in 2002 to address chronic deficiencies. More than 75% of Jordan's territory is considered semi-arid to arid. Supply apprehensions have increased with the arrival of over one million Syrian refugees. In 2016, the Kufranjah Dam was completed north of the capital Amman and will provide an additional storage capacity of 7.8 million cubic meters of water.

In 2015, Jordan and Israel signed an agreement to build a desalination plant in Aqaba with World Bank funding which will provide 80 million cubic meters of water annually to be divided between the two countries, with the brine to be piped north to revive the shrinking Dead Sea. Water theft and dissipation from leaking irrigation pipelines remains a problem, although recent years have seen increasing prosecutions

Environmental
policy

5

'06 '18 10



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of such theft and efforts to improve transport efficiency in keeping with the National Water Plan.

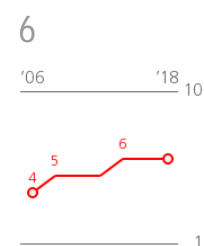
On the local level, there are few holistic household recycling programs in place to reduce landfill and incineration. Air pollution and congestion remain problems especially in Amman, and the Rapid Bus network, designed to ease congestion is behind schedule. Although water subsidization schemes are necessary owing to low average wages, higher rates may provide greater incentives for conservation.

Jordan has historically enjoyed one of the most educated populations in the region. This persists today with high literacy rates of overall 98.0% (World Bank data). Enrollment ratios in primary and secondary education are close, 51% for males and 49% for females between the ages of six and 15; and in upper secondary education 73.1% of female Jordanians between 16 and 18 are enrolled, compared with 65.1% for their male counterparts.

The tertiary sector is large for a country of Jordan's size, with 10 public universities, 19 private universities and numerous vocational colleges. A number of international institutions are also established including the German-Jordan University; the University of Southern Denmark through the Danish Jordanian University Cooperation Partnership; and the American University in Madaba. These cater for the 33.3% of female and 37.9% of male Jordanians between 19 to 23 years of age who are currently enrolled in tertiary education, according to the latest census data. Up-to-date data on public expenditure on education and detailed budgetary allocations are not readily available.

Both secondary and tertiary sectors focus on content rather than critical thinking necessary for the development of a competitive research community. Therefore, Jordan relies on foreign expertise to boost its research and development (R&D) sector. The European Commission, for example, has been working closely with the Jordanian National Center for Research & Development (NCRD) to improve its human, organizational and strategic capacities, particularly in the area of renewable energy production, and with the ultimate aim of bringing Jordan into the European Research Area (ERA).

Education policy /
R&D



Governance

I. Level of Difficulty

There are numerous constraints on governance in Jordan. It's geographical and geopolitical location has been a delimiting factor on the country's economic and political development. With over 75% of the country considered semi-arid to arid, food and water security have proven difficult to secure sustainably. Compounding this is the Kingdom's poor natural resource base which has reduced its industrial development and economic diversification, contributing to Jordan's historically poor balance of trade.

Geopolitically, Jordan's position between Iraq, Saudi Arabia, Israel and Syria has resulted in the country being on the frontline of a number of conflicts and human displacement, from Palestinians in 1948 and 1967; Iraqis in 1991 and 2003 and Syrians since 2012. These populations have brought economic advantages but also challenges. The recent Syrian influx has further put pressure on stretched natural and government resources.

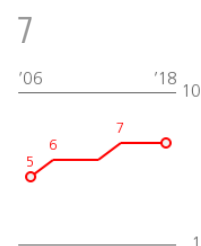
Regional instability has also been a factor in Jordan's trade policy, although in this area the Kingdom has done exceedingly well in fostering ties. According to the ease of trading across borders indicator from the World Bank, Jordan is ranked 50 out of 189 with a score of 86.3, which positions it above both Turkey and the United Arab Emirates.

The inability of the private sector to generate enough employment opportunities for millennials fast enough to meet demand is inducing a brain-drain, as young Jordanians seek employment in the Gulf or further afield. A consequence of this is that some businesses looking to invest in Jordan worry about the availability of potential employees with skill-sets specific to their needs.

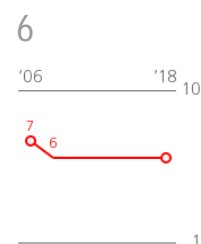
The tradition of independent civil society activism is weak in Jordan despite the ever-increasing number of NGOs (non-government organizations), both local and international operating across the Kingdom. The sector is tightly controlled in terms of the available avenues for public mobilization and advocacy. Subsequently it is common for organizations to focus on outcome specific goals (project completion) as opposed to developing the more intangible elements of social capital.

Participation in public life coalesces around acquiring access to state and international resources for the benefit of constituents, many of whom are part of the individual's

Structural
constraints



Civil society
traditions

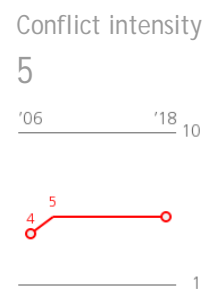


kinship network. This is as true for political parties as it is for civil society organizations. As such the conception of civic virtue and the common/national interest is underdeveloped in Jordan, although members of the millennial generation involved with such organizations as I-Dare for Sustainable Development, Incitement Jordan and Blue Umbrella are endeavoring to change this.

There are a number of friction points within Jordanian society: tribal and non-tribal populations, Jordanian of East Bank and Palestinian origins, access to wealth, and citizen to non-citizen relations, with the Syrian refugee population of special significance. Instances of tribal violence have increased in recent years, especially on university campuses which is an indictment on the imbalances between citizen-based social capital and the normative force of the rule of law.

There is substantial apprehension among Jordanians as to the future of the country’s stability, not in terms of its existence, so much as its ability to remain unscathed from cross-border political violence from Syria. In 2016, there were a number of high-profile threats and attacks that have shaken confidence in the security apparatus, resulting in the resignation/firing of former Minister of Interior Salameh Hammad in early 2017. A growing anxiety toward the Syrian population is associated with this, though this has more to do with economic insecurity than with political or social insecurities.

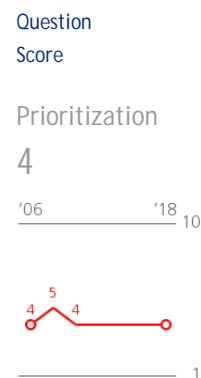
Despite regional turmoil, Jordan’s social fabric has remained cohesive enough to sustain stability. The most reported division between Jordanians of Palestinian and East Bank origins manifests itself in a number of forms. Particular examples are the division between the public and private sectors, which sees Jordanians of Palestinian origin excluded from key positions in the former and dominating the latter; and political apprehensions of a Palestinian takeover, which are used to keep the gerrymandering of electoral districts in place.



II. Governance Performance

14 | Steering Capability

Government priorities are shaped by the agencies of the King, the royal court and the prime minister. Since the ascension of King Abdullah II in 1999 the chief priority has been economic reform, evidenced recently with the Jordan 2020 development plan. Further indicators of this prioritization are evident in the Letters of Designation from the King to each of his prime ministers, an emphasis on marketization and the privatization of state assets including the national carrier Royal Jordanian Airlines in 2007. Processes such as these are shaped substantially by the assistance of foreign expertise from the IMF and World Bank among others. Jordan’s reliance on external sources of income in the form of rents raises questions as to successive governments’



abilities to prioritize citizen needs, as evidenced by stubbornly high youth unemployment.

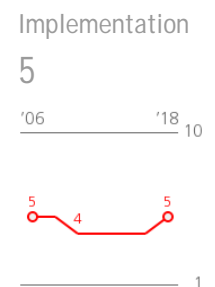
At the same time, there were expectations at the time of his ascension that he would promote further democratization. However, the global paradigmatic consequences of the war on terror, the Amman hotel bombings in 2005 and increasing fears of instability post-2011 have advanced security as a priority over reform. This has been driven by the interests of key stakeholders including the security apparatus and some members of parliament, who fear that alterations to the structure of the political system will endanger their privileged positions and ability to access state resources. Consequently, it is outside of the formal institution structure that pressures for reform are more readily observable.

On the surface Jordanian governments have been effective in implementing policies in pursuit of the Kingdom's strategic objectives, particularly those associated with macroeconomic indicators and security. Democratic advancement and active citizenship, which were central in the King's latest discussion paper, remain rhetoric more than policy.

Restructuring the economy along market lines has given the budget bottom-line windfalls through the sale of public assets. In 2006, the government sold 37% of the Jordan Phosphate Mines Company (JPMC) to the Brunei Investment Agency, retaining a 25.5% stake in the firm. The exact nature of the transaction has not been made public. And thus, while an initial injection of capital would have been welcome, it has come at a price, with many Jordanians skeptical of the conditions of sale, especially after the corruption case of Walid al-Kurdi a former CEO of the JPMC. The strategic value of the sale has also been questioned since although the company's shares were traded at 4.4 Jordanian dinar at the time of sale on the Amman Stock exchange, they were valued at 2.8 dinar for the sale.

The foreign reserves of the central bank of Jordan (CBJ) have also been effectively consolidated, buttressing Jordan's macroeconomic spreadsheet. Other economic indicators such as unemployment remain stubborn in the face of policy initiatives. This suggests that even if the government is successful in implementing policies, they may not be adequate responses to the problem.

Security objectives have also been legislated with little resistance. 2014 and 2016 saw the parliament approve a number of constitutional amendments consolidating the executive powers of the king. The justification provided was that the strengthening of the executive, which included removing the ministerial power of appointment to military and security service heads, would prepare the way for parliamentary government simultaneously with facilitating improved security.



Substantial changes to Jordan's policy trajectory are rare, particularly in the areas of economic development and security consolidation. The Kingdom has been engaged in economic restructuring for almost thirty years, and although advances have been made, unemployment remains stubbornly high; wage growth is stagnant, necessitating the continuance of subsidizes that are detrimental to the budget; and policy is dependent on external finance from loans and aid. Yet successive governments have maintained the principles of action that have sustained these realities.

One area where the governments of Abdullah Ensour and Hani al-Mulki have been innovative and agile is in their response to the population of displaced Syrians in the country. In February 2016, King Abdullah II addressed the international donor community in London during a conference on responding to the Syrian crisis. In this address, he stated that policy platforms based on aid distribution alone were insufficient and a new model was needed. The Jordan Response Plan was advanced as one such model which sought to develop an economic framework in which Syrians would be given license to work in particular sectors, whose products would be exported to Europe under tariff conditions favorable for Jordan. On the one hand, this has increased Jordanian exports to the European Union and improved the employment opportunities for Syrians. However, at the same time, this has generated discord among Jordanians who feel that the government neglected them and their employment prospects.

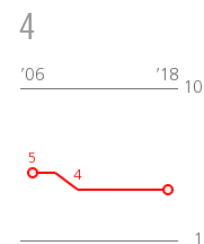
15 | Resource Efficiency

Since 2007, Jordan has held general elections at regular intervals which has provided consistency to government. The tenure of ministers in their portfolio owes more to political expediency than to actual performance. Less than four months into the life of Prime Minister Mulki's second administration, a re-shuffle was required involving the removal of several ministers. In this matter, expediency rather than an in-depth assessment as to the performance of ministers was the central rationale.

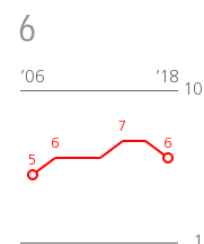
In terms of efficient utilization of budgetary resources, expenditure has outpaced income for successive governments, resulting in unsustainable levels of debt, which in 2016 reached an excess of 95% of GDP. Domestic production remains below capacity and with a negative balance of trade, borrowing is necessary to make interest repayments. The auditing of ministerial business is slowly improving. The practice of *ikramiyah* (appreciation bribes) for example has been publicly identified by the prime minister as a target for the Jordan Integrity and Anti-Corruption Commission (JIACC) in 2017. This process is not assisted by the lack of transparency surrounding budget allocations.

With regards to responsible decentralization, Jordan is preparing to implement its program of decentralization in 2017. If implemented effectively, this process may

Policy learning



Efficient use of assets

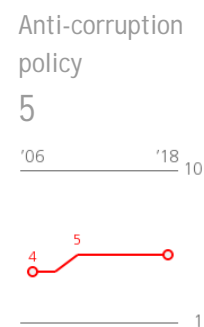
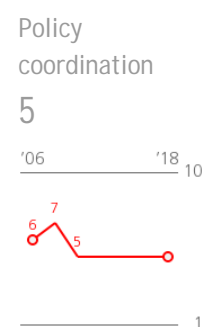


generate a new division of labor between local government at the governorate level and the national parliament. Doing so will shape public expectations for the better by placing pressure to be responsive to local needs at the local level. In doing so, the national government will be better placed to focus on national issues. At the same time, the Mulki government is continuing to expand the scope of online government e-services. Yet this is occurring along with further repressive tactics against online freedom of expression and association. A perhaps unintended ramification is a stagnating of the youth led IT sector, and by extension, denotes that Jordan could be utilizing its existing human capital more effectively.

Policy coordination between the ministries and their sub-branches is a developing area of governance in the Kingdom. At present the cabinet is the central organ of policy coordination with instruction emanating outwards from that center. The implementation of the decentralization program in 2017 will potentially be an interesting development in policy coordination. The cabinet could be freed from micro-managing day-to-day issues of government, and may then be able to focus on strategic initiatives. There are advantages to this, as at present horizontal linkages between ministries are not well formed. The need to address this was laid bare by a number of local analysts after the December 2016 Karak attacks. Questions were asked about the lack of information sharing between the Ministry of Interior, the GID and the police. Greater coordination at the local and national levels will foreseeably improve policy implementation and government responsiveness to citizen concerns.

Corruption remains a persistent degenerating reality in socioeconomic and political life. The most recent Arab Transformations Survey Project recorded that 71.3% of its Jordanian respondents believed that corruption was a serious drawback on individual and social progression in the economic sphere. Efforts to contain and prosecute corruption are underperforming either through design or intent. The Jordanian Anti-Corruption Commission (JACC) established in 2004 has not consistently prosecuted corruption in the Kingdom, and hence has not been able to restore public confidence in the institutional processes of government. The JACC merged with the Audit Bureau in 2016 to form the JIACC, which as this report has mentioned, has at least 30 ongoing cases to address. Corrupt practices therefore remain a blight on bureaucratic activity. This was brought into focus through a leaked 2016 correspondence between former Prime Minister Abdullah Ensour and Parliament Speaker Atef Tarawneh. The letters give the impression that the government was under pressure to make 109 positions within the Lower House available for prospective employees; the majority of whom it was revealed were related to sitting members of parliament.

In December 2016, Prime Minister al-Mulki announced a new anti-corruption initiative “The National Strategy for Integrity and Anti-Corruption 2017-2025” to run parallel with Jordan’s Vision 2025. Time will tell whether the JIACC is able to holistically implement this agenda.



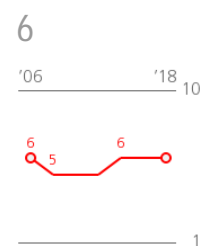
Although one of tasks of the Ministry of Finance is to examine, analyze and evaluate policy and expenditure, the extent to which this occurs is not transparent, and therefore neither are the results. Furthermore, political parties do not engage in government in an organizational way, and thus the architecture to regulate party transparency while in government does not exist in Jordan. The ability of the media and citizens to access detailed information about government policies and expenditure, and to critique it in the public sphere is restricted by the legislative environment on the one hand, and the high-walled nature of bureaucracy on the other. The leaked correspondence however demonstrates that it is not impossible to raise such issues in the wider community.

16 | Consensus-Building

On the surface, there is agreement between political actors on the attractiveness of democracy and market economization as central strategic objectives. There is little agreement however on what these two objectives mean in practice and principle, as demonstrated in the University of Aberdeen's "ArabTrans" survey findings of 2016 which report strong support for democracy alongside the implementation of Shariah. Owing to Jordan's historical evolution as a semi-rentier state, a number of established political associations and interest groups including the military veterans view democracy as a useful mechanism through which to improve access to state resources. For the executive, meanwhile, partial democratization ("defensive democratization" according to Glenn Robinson) is an advantageous tool with which to maintain the status quo.

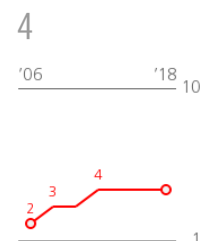
Marketization similarly attracts a variety of perspectives. For the regime led by King Abdullah II it is the means by which Jordan can establish a pattern of sustainable growth and an increase in living conditions. A range of political parties, who as a general rule are not involved in decision-making, share similar views on the necessity of regulating neoliberal marketization. Leftist parties including the Jordanian Communist Party, Nationalists such as Stronger Jordan, and Islamists, notably the Muslim Brotherhood's political arm the Islamic Action Front (IAF) are on a similar page in this regard. They argue that the state has a moral obligation to citizens to regulate the economy in order to ensure that at a fundamental level citizen needs are addressed. The institutions in which policy is formed, the Royal Court and the cabinet in particular, agree on pursuing market policies so long as the interests of individuals within these institutions and their immediate constituents are not injured in the process.

Consensus on goals



There is underlying support for changes to the status-quo reform/security dialectic, though in general no political actors with adequate leverage have been able to advance a new model of this dialectic in the face of worsening regional instability. The king announced some constructive steps toward greater democratization in 2011, and the 2016 Elections Law is a substantial improvement on its predecessors. In order to strengthen parliamentary processes, this law will need to be maintained over successive electoral cycles, and further improvement to transparency is required to boost public confidence.

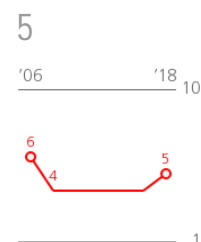
Anti-democratic actors



Many Jordanians are understandably thankful that their country has not joined Syria, Yemen or Libya on the road to disintegration, and subsequently are willing to accept the status-quo under the prevailing conditions. Yet if the government is unable to facilitate an environment conducive to greater employment opportunities, and follow through on the principles of the 2011 reform coalition, demonstrators may return to the streets.

Jordan's ability to avoid being drawn violently into the ongoing civil war in Syria is a testament to the political leaderships' ability to manage cleavages within Jordanian society. The largest cleavage is that between Jordanians of Palestinian and East Bank origins. This is not a structural cleavage in the way that Lebanon's sectarian divisions are structural, but is rather more subtle and arbitrary. It is based on the historical development of the Kingdom and the support coalitions that the Hashemite monarchs have traditionally sought to foster. In the past, these were various East Bank constituencies, either Bedouins or powerful families from settled communities. They were granted among other things employment within the public sector in exchange for supporting the regime.

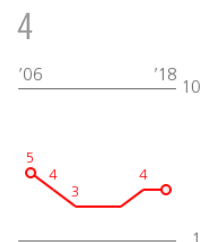
Cleavage / conflict management



With the advent of globalization, and the changing nature of the economy and the state's role in it, Jordanians of Palestinian origin, who have not had the same public sector privileges extended to them have risen in prominence. Through the private sector, community links with Palestinians in the diaspora, members of this part of Jordan's citizenry have become both wealthy and politically important as the regimes of Hussein and Abdullah II sought to restructure the domestic economy. The present regime therefore needs to balance its commitment to both of these constituencies, a task made difficult by interest in seeking different policy programs.

Civil society at large does not have an influential role in the political process. When it comes to agenda setting, the cabinet and the Royal Court are the two principle organs of trajectory formation. This does not mean however that civil society, with support in the parliament is unable to push an issue onto the agenda. The King Hussein Foundation in coalition with over 20 other civil society organizations generated a public discussion over the citizenship law. Specifically, they focused on its prevention of Jordanian mothers from passing on their citizenship to their children

Civil society participation



if the father is non-Jordanian, while if the father is Jordanian he can pass on his citizenship regardless of the mother's origins.

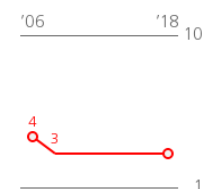
With support from former MP Mustafa Harmarneh, this issue was openly discussed in parliament and private members' bills were debated. Although the bills were defeated, the government was forced to address the issue and proposed a compromise consisting of improved rights and access to state services.

The tribes, the larger syndicates (Teachers, Lawyers and Engineers) and the Chambers of Commerce and Industry participate in deliberation on economic matters and some social policy. In the sphere of political reform, especially with regards to democratization however, political elites do not widely consult reformist actors. When expedient, civil society organizations are called to participate in dialog sessions. Yet the influence that this has over policymaking is negligible. Civil society does have an active role in monitoring performance. A number of notable organizations including RASED, the monitoring arm of the al-Hayat Center, monitor government, parliamentary and electoral performance, and use social media to publish findings.

It is difficult for the Hashemite leadership of the country to bring about reconciliation for past injustices for two chief reasons. First, the Kings of Jordan according to the constitution are infallible, therefore making the act of recognizing and accepting past injustices undertaken by them problematic. Second, the sociopolitical structure of the Kingdom facilitates cleavages of advantage and disadvantage that buttress support for the persistence of the monarchy. Especially since the civil war (Black September) of 1970, Jordanians of Palestinian origin have been treated as not entirely Jordanian, and their loyalty is at times questioned both in public and in private. The main exception is the urbane Jordanian-Palestinian business elite who are close the political leadership. Coping with the legacies of the past in practical terms is accordingly less about recognizing historical power imbalances, as it is a balancing act of key domestic stakeholders whose support for the monarchy is necessary for its survival.

Reconciliation

3

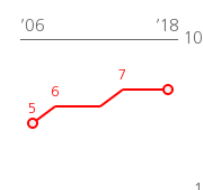


17 | International Cooperation

Restraints on the Kingdom as a consequence of its geography and geopolitical neighborhood have meant that Jordan has, since independence, required strong support from regional and global partners. When the economy crashed in the 1980s, Jordan turned to the IMF and the World Bank to reform its economy along neoliberal lines. Macroeconomic restructuring was the key objective, and in this, the Kingdom has been largely successful with a stable currency albeit pegged to the US dollar; GDP growth the norm rather than the anomaly; and a strong banking sector and a central bank with consolidated foreign reserves.

Effective use of support

7



King Abdullah II has continued this trend toward economic reform, indicators of which include Jordan's membership and activity within the WTO, membership of the Agadir Agreement, and free trade agreements with the United States and the EU, among others. Launched in May 2015, Jordan's Vision 2025 is a plan for economic development focused on deficit reduction, poverty and unemployment alleviation and boosting GDP growth.

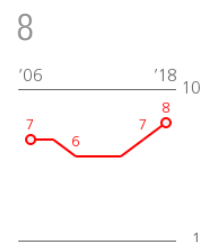
According to the plan, GDP growth will increase from 3.1% in 2014 to 6.9% in 2021 and 7.5% by 2025. These are ambitious targets, and there are questions as to whether sufficient investment can be made to sustain such figures. In particular, the target for the budget deficit is to be zero by 2025, while reducing its percentage of GDP to 47.4%. In terms of industry development, which is highlighted as a key driver of growth in the 2025 plan, Jordan will adopt a "cluster-focused approach" that will see clusters of auxiliary supportive industries established alongside existing ones at a number of sites across the Kingdom. Earmarked for their importance are construction and engineering, logistics, health care, life sciences, digital and business services, educational services, tourism and financial services.

Since the 2011 uprisings, Jordan has been a beneficiary of aid from the Gulf States led by Saudi Arabia, as part of what has been described as the conservative counter-revolution against the so-called Arab Spring. Increasing pressures on Jordan from the Syrian refugee population have led Jordan to turn to its connections with the international community in order to develop sustainable solutions to immediate and longer-term problems. To this end, Jordan has secured support for the Jordan Response Plan (JRP) which proposes ways to provide Syrians with employment, utilities access and education. This support to date is insufficient with only 36% of the program's three-year cost acquired.

Jordan is recognized as a trusted partner with the international community on a number of fronts, led by security and economic development. Built on its close relationship with successive American administrations, a solid network of bilateral relationships exists with state and non-state actors including Japan, the EU, the United Kingdom, Saudi Arabia, the IMF and World Bank. With regards to the IMF, the Ministry of Finance is currently engaged with it in a three-year project of redesigning Jordan's fiscal measures so as to lower debt-to-GDP ratio to 77% by 2021. As a member of the WTO since 2000, Jordan has been active in its role in the Doha Development Agenda (DDA) negotiations, as a former coordinator of the Arab Group, and the Asian Group of Developing Countries.

On the security front, Jordan's credibility as an ally against Islamic extremism has been bolstered by the rise of attacks and subsequent counter-strikes against IS. This credibility has two impacts. First, the king's personal standing domestically and internationally has been enhanced as an action focused political leader and as a leader of so-called moderate Islam. Second, Jordan emerges as a stable island in a sea of

Credibility



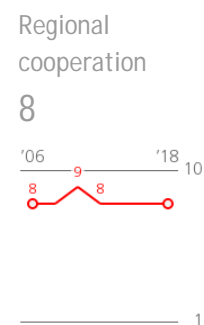
upheaval. This in turn helps frame Jordan as an attractive and safe site of foreign direct investment.

Compared to regional standards, Jordan is also perceived as one of the most credible partners regarding political cooperation. Amman has gained importance as a hub for international donors after their work in Syria and Yemen has become almost impossible, as well as increasingly difficult in Egypt as well as the Gulf region.

Regional integration in the Arab World is below global standards, not helped by decades of instability from conflicts in Israel and the Palestinian Territories, Lebanon, Iraq and now Syria. Despite this, Jordan has been active in fostering ties with the neighboring countries of the Gulf Cooperation Council (GCC) and the wider region.

In 2016, Jordan and Saudi Arabia signed a cooperation agreement, in which both countries pledged to deepen ties across economic, social and security issues. In Jordan, the agreement was met with euphoria over the expectation of possibly billions of dollars of investment from Saudi Arabia. In Saudi Arabia, the reception was more muted, suggesting the level of investment will be tied to the value Jordan can bring to its southern neighbor. Jordan has on two occasions been invited to join the Gulf Cooperation Council (GCC), but to date both of these invitations were later withdrawn. With internal division within the GCC as to the merits of Jordanian membership, it is unlikely that Jordan will acquire membership any time soon. On a more concrete level, the Abu Dhabi Fund for Development (ADFD) was instrumental in the building of the \$28 million Kufranjah Dam with a storage capacity of 7.8 million cubic meters of water.

Jordan also has good relations with the League of Arab States and is a founding member of the Agadir Agreement, which was set up with the twin objectives of facilitating greater inter-Arab trade and trade between the Arab World and the EU. Signed in 2004 and coming into effect in 2007, the agreement has not lived up to expectations in terms of increasing volume of inter-Arab trade, as its Arab members, Jordan included, are more focused on increasing trade to the EU.



Strategic Outlook

The capacity of Jordan to navigate through the coming years will be inextricably linked to its success or failure in balancing the push and pull factors on both the domestic and international level. Internationally, Jordan remains a respected ally and partner in the region on a number of economic and security fronts. Additionally, King Abdullah II has proven to be tactful in his steering of Jordan's international relations with a broad spectrum of partners on a diverse set of issues. In security relations, Jordan's close ties with the United States and Israel are of particular significance. These are joined economically with the states of the GCC led by Saudi Arabia; and increasingly, Russia is emerging as an important partner in energy technology transfer, with a Russian firm building nuclear power plants in the country. Regional relations with Egypt, the other members of the Agadir Agreement, as well as historically with Iraq are central components of foreign policy.

With a new administration in the White House, turbulence in Europe, a quickly emerging China, and persistent uncertainty in the MENA region, it is critical for Jordan to maintain this balance of relations. This will not be an easy task with pressures emerging on multiple fronts. In the early days of the Trump Administration some Israeli commentators have been talking up the prospects of a twenty-first century version of the "Jordan Solution" to the Israeli-Palestinian conflict. This could see Jordan absorb some of the West Bank or act as the guarantor of security in the territory. Foreseeably this could destabilize relations between Jordanians of Palestinian and East Bank origins. On another front, Jordan's cooperation agreement with Saudi Arabia offers much needed funds for infrastructure investment, but may come with costs including continued slow movement on democratic reform. This could be sustained as long as the Syrian civil war persists. However, as this conflicts winds down, the absence of microeconomic improvement will foreseeably lead to further demonstrations similar to those of 2011.

On the domestic front, the regime of King Abdullah II continues to rest upon different constituencies that at present are requesting the state pivot in different directions simultaneously. These constituencies include, but are not limited to, the following two groups. On the one hand, the business elite, including Jordanians from both Palestinian and East Bank origins, want to see more neoliberal policies and greater integration into the global economy. On the other hand, the military veterans, who, with their families, number in excess of 800,000 individuals, advocate for continued state intervention in the economy. Subsidies and the provision of services are central features of this intervention.

These divisions, which relate more to class than ethnicity, should be addressed head-on, especially given the temptation to keep ethnic/national divisions simmering with the presence of over one million Syrians in the Kingdom. If the Iraqi diaspora in Jordan is any indicator, this population of displaced Syrians will be present within the fabric of Jordanian society for many years. Consequently, Jordan and its international partners will need to fastidiously proceed with inclusive economic development beyond rhetoric and expand the space within which meaningful participation in the political process for citizens can occur.