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This report is part of the Bertelsmann Stiftung’s Transformation Index (BTI) 2012. The BTI is a global assessment of transition processes in which the state of democracy and market economy as well as the quality of political management in 128 transformation and developing countries are evaluated.

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Executive Summary

In 2009 and 2010, Jordan experienced a phase of macroeconomic standstill, with authoritarian rule under the Hashemite monarchy remaining largely stable. Bordered by an unstable regional environment with periodic outbreaks of violence in Iraq and the Palestinian territories, the country has nevertheless managed to avoid being drawn into violent confrontations with regional and domestic actors. King Abdullah II, who has controlled foreign and domestic politics since his succession in 1999, extended Jordan’s reputation as an “island of stability” in a conflict-prone Middle East region. The domestic political landscape is dominated by the Royal Court, the appointed government and security services that extend the monarchy’s authoritarian grip over Jordanian society. No major political reforms were implemented during the period under review.

While a new temporary electoral law was announced in May 2010, it retained the controversial “one man, one vote” system, which together with gerrymandered constituencies, clearly privileges regime-loyal candidates. Accordingly, the parliamentary elections of 9 November 2010 led to a landslide victory of mostly tribally based pro-regime Transjordanian loyalists. The Islamic Action Front (IAF), the parliamentary arm of the Jordanian Muslim Brotherhood and the primary political opposition party in the country, boycotted the elections. After the early closure of the previous parliament (dating from November 2007 lower house elections), King Abdullah II had ruled by royal decree from November 2009 to November 2010. In November 2009 – and again in November 2010 – he appointed Samir Rifa’i, the son and grandson of key former elite figures in Jordan, as prime minister. Rifa’i’s technocratic cabinet continued previously initiated economic reforms, though at a much slower pace. While the main intention was to shield the population from the negative impacts of the global economic crisis, the closure of the parliament was used to solve a number of previously controversial issues through recourse to temporary laws, as for instance in the introduction of a new tax system. King Abdullah II also appointed a new senate (now headed by prominent Palestinian-Jordanian Taher al-Masri). On the political reform front, the widely discussed electoral and decentralization laws had not even been announced by the end of 2010. The mass protests in various Arab countries that led to the
outhing of authoritarian presidents in Tunisia in January and in Egypt in February 2011 also had
their ripple effects in Jordan, since they led to steadily intensifying social protests beginning in
mid-January 2011. As a precautionary measure, King Abdullah II fired the recently appointed
second Rifa‘i government, and on 1 February 2011, replaced it with a new cabinet under former
prime minister Ma‘ruf Bakhit (who previously served from 2005 to 2007). Bakhit represents
both the military and the biggest Transjordanian tribe, the Abbadi. In general, the direct political
influence of the Jordanian security service (mukhabarat) has been curtailed somewhat with the
December 2008 nomination of Muhammad Raqqad to head the agency, rather than the more
political Muhammad Dhahabi. While state revenues have only marginally increased since 2009,
political pressures have precluded a reduction in state expenditures, with new pending largely
taking place within the public-sector payroll. As a result, high budget deficits have left Jordan
continuously reliant on foreign grants.

History and Characteristics of Transformation

After a period of active state-led economic development but political stagnation during the 1970s
and 1980s, supported by substantial contributions of oil money from other Arab countries, the
post-1982 decline in world oil prices led to a parallel decline in Jordanian state revenues.
Commodity exports destined for the Persian Gulf monarchies, transfers from Jordanian
expatriates and Arab financial assistance declined simultaneously. With the shock absorbed at
first by the country’s then-comparatively high foreign exchange reserves, the government started
to increase trade and capital account barriers, and implemented an expansionary monetary
policy. Eventually, the policies implemented proved contradictory, and showed only limited
success. External as well as internal indebtedness increased. Foreign currency speculation and
bad loans led to a serious crisis in the domestic banking system, with the third-largest Jordanian
bank declaring bankruptcy in 1988. The eruption of the first Palestinian uprising (intifada) in
1987 was perceived by the late King Hussein as a threat to Jordanian claims on parts of the
Palestinian territories, as the West Bank had been under Jordanian control from 1948 to 1967,
followed by a civil war in 1970 – 1971 when the Jordanian army dispersed most armed
Palestinian groups from Jordanian territory. One year later, Jordan officially disengaged from the
West Bank, emphasizing the legitimacy of the Palestinian Liberation Organization (PLO) as the
sole voice of a Palestinian nation. In political economy terms, the disengagement from the West
Bank considerably heightened the liquidity problems of the Jordanian economy. At the end of
1988, the central bank discontinued the allocation of foreign currency reserves to the support of
the economy, and the Jordanian dinar was devalued. Supported by the IMF and World Bank, a
comprehensive structural adjustment program was introduced, which included austerity and
economic liberalization measures. Simultaneously, political liberalization was initiated as a
means of containing public turmoil associated with the worsening of living conditions. In 1989,
Jordan held its first nationwide parliamentary elections since 1967. Subsequent periods were
followed by the abolishment of additional political restrictions. During the Kuwait war of 1990 –
1991, the late King Hussein took an economically motivated pro-Iraqi position (bolstered by the well-known Palestinian sympathies for Saddam Hussein) against the pressure of the international donor community, which broadly condemned the Iraqi invasion. Repeatedly bypassing the parliament, King Hussein proved to be the sole decision maker with power within the Jordanian political system. During the following years, a number of restrictive adjustments were implemented, revoking previously implemented political liberalizations. The introduction of the “one man, one vote” formula for parliamentary elections in 1993 was intended to favor traditional elements of Transjordanian origin at the expense of actors holding extremist ideological views or those with a Palestinian background. After the unilateral decision of the PLO to engage in a peace process with Israel and the signing of the Oslo Declaration in 1993, King Hussein no longer felt obliged to link a Jordanian peace agreement to an inter-Arab settlement of disputes with Israel. He eventually agreed to a bilateral Jordanian-Israeli peace treaty in 1994. While the treaty helped spur economic assistance and financial aid, notably from the United States and the European Union, the process of political liberalization slowed and was gradually reversed, due to widespread public opposition to the political and economic normalization of relations with Israel. King Abdullah’s succession to the throne in 1999 was accompanied by a turn to further economic reforms, which was only later followed by a political reform agenda. Developing the domestic economy’s potential became a major policy priority, and was considered to be of overarching importance in order to secure support by international bilateral and multilateral donors. New development policies have been gradually implemented by a younger generation of mainly technocratic politicians, who have tried to dissociate Jordan’s economic potential from its hitherto dominant link to the Arab-Israeli conflict. In the wake of the 2005 bombings in Amman, public opinion closed around the king and the country, and even the IAF spoke out strongly against these terror attacks. From 2006 to 2008, following the Hamas electoral victory in the neighboring Palestinian Territories, the IAF as the main political opposition party in Jordan was harshly repressed by the state’s increasingly influential security services. The regime hardened its anti-terrorism strategy in early 2010, when radical Jordanian Islamists tried to kill the Israeli ambassador in Jordan, and a bomb attack by a Jordanian double agent in Afghanistan killed a number of CIA agents.

The country managed to weather the global financial crisis relatively well by providing a guarantee for all bank deposits until the end of 2010. While the budget deficit rose during 2009 and the balance of spending was still negative in 2010 – a further rise in the deficit was mainly avoided by drastically reducing capital spending – the country profited from an average inflow of funds due to the rising spread in lending rates attributable to the Federal Reserve’s low interest rate and the fixed exchange rate with the US dollar. This led to an accumulation of international reserves at the central bank, even though rising international prices for oil and foodstuffs were intensifying pressure on large parts of society.

Today, Jordanian society is still largely divided between Transjordanians (those whose families lived east of the Jordan River after World War I) and Palestinians (those whose families lived west of the Jordan River). This has led to certain problems and cleavages between the factions, with a Palestinian majority that largely has Jordanian citizenship but still faces discrimination.
and negligence. Since the 1990s, many foreign guest workers have entered Jordan from Iraq, Egypt and South(east) Asia. Since 2003, the Iraq War has also brought hundreds of thousands of Iraqis to Jordan, many of whom have attempted to migrate outside the Middle East. By summer of 2010, the number of Iraqis in Jordan was approximately 150,000 to 200,000.
The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 10 (best) to 1 (worst).

Transformation Status

I. Political Transformation

1 | Stateness

In principle, the state’s monopoly on the use of force is established nationwide. However, tribal clashes and periodic unrest targeting governmental, security and judicial institutions in the country’s rural areas in 2009 and 2010 (in Ajlun, Ma’an, Madaba, Mafraq, Karak, Irbid and Salt) has indicated that the government’s authority may be threatened by some segments of the population in these areas. The level of social and in particular inter- and intratribal violence associated with the November 2010 parliamentary elections and the December 2010 university council elections was unprecedented in the last two decades. While state security forces were able to restore repressive order, the political, economic and social problems that led to the outbreak have remained largely unsolved.

All ethnic and religious groups enjoy equal rights before the law. However, there are restrictions for certain Palestinian refugee groups, whose access to Jordanian citizenship depends on the date of their arrival in Jordan as well as their place of origin. Only Palestinians who fled to Jordan during the war in 1948 are granted full Jordanian citizenship. No Palestinian from Gaza can receive a permanent Jordanian passport; these individuals hold temporary two-year passports with no identity number, and are not granted full access to state services. According to the U.S. Committee for Refugees and Immigrants, of the 2 million Palestinians that reside in Jordan, only 171,400 do not hold Jordanian citizenship. The government’s reactions to public debates and critical comments on the issue of Palestinians in Jordan reveal fears and resentments on the part of the country’s Transjordanian elite (i.e., those families residing on the East Bank of the Jordan river when Jordan was established in 1921).

Since his ascension to the Hashemite throne in 1999, King Abdullah II has initiated a number of public relations campaigns (“al-Urdun al-Jadid” or “The New Jordan,” “al-Urdun Awwalan” or “Jordan First,” and “Kulluna al-Urdun” or “We are all Jordan”) with the intention of weaving all citizens, independent of origin, into a
unified social fabric, bound together by a sense of loyalty to the homeland. Even after years of poster and media campaigns, general doubts remain as to whether a Jordanian national identity exists, especially among Palestinians. The immigration of Egyptian, Iraqi and South(east) Asian workers since the 1990s, as well as the presence of Iraqi war refugees, especially since 2006, has complicated the issue of state identity in Jordan even further.

Article 2 of the Jordanian constitution stipulates that (Sunni) Islam is the state religion. The ruling Hashemite family enjoys a distinct religious legitimacy because it traces its origins back to the house of the Prophet Muhammad. The Christian community, which constitutes about 3% of the population, can exercise its faith freely and without intervention by the state. Members of the royal family, especially former Crown Prince Hassan (brother of King Hussein, uncle of Abdullah II), credibly call for tolerance and respect between religions, and actively support interfaith dialogue. However, the Shari’ah, which is applied in Jordan’s personal status law, contains several clauses that discriminate against women, particularly in issues of inheritance, marriage, divorce and child custody. Several attempts to reform the personal status law have met with resistance from conservative tribal and religious figures, as well as in part from the parliament.

The state has a differentiated administrative structure throughout the country, divided into 12 governorates. The legal decisions are widely enforced. However, the fact that these structures are centered in northern Amman, which functions as the most important hub for the allocation and distribution of resources, means that the capital is generally favored over rural areas. This growing political-economic gap between Amman and the rural governorates of the south, with the partial exception of the Red Sea port of Aqaba, has only widened since King Abdullah ascended to the Hashemite throne in 1999. In addition, there are problems resulting from favoritism (wasta) exerted by the regime. Positions in the state bureaucracy are primarily awarded not according to meritocratic principles, but on the basis of kinship and personal relationships. Irregularities regarding taxation and the distribution of funds are reported. The Royal Hashemite Court (Diwan al-Maliki) functions as a parallel administrative structure, working directly under the king’s guidance and (in parallel to the state’s bureaucracy) possessing the power to allocate resources.

2 | Political Participation

General elections have been regularly held since 1989. However, given the excessive dominance of the king and the executive, they have only limited influence over the selection of the country’s political leadership. The last parliamentary elections were held on November 9, 2010. These resulted in a landslide victory for pro-regime and mostly tribal, big-family candidates, who now account for more
than 90% of the 120 parliamentarians in the lower house (the upper house of 60 senators is appointed by the king). This absolute majority of pro-regime candidates is partly attributable to the electoral boycott announced by the Islamic Action Front (IAF, the parliamentary arm of the Muslim Brotherhood in Jordan), the country’s only relevant opposition party. The IAF’s boycott decision, which was announced in July 2010 and was based on an internal referendum, was mainly due to the perpetuation of the highly controversial electoral law, but also to the party’s negative experiences of election rigging and vote buying during the previous elections in November 2007.

During the November 2010 elections, the new temporary electoral law of May 2010 was applied. This retained the “one man, one vote” system (based on a single nontransferable vote) and which, together with a pro-rural division of constituencies, clearly discriminates against the IAF’s support base in the bigger cities of Amman and Zarqa. Urban areas, in which most Jordanians of Palestinian origin live, are underrepresented in elected state institutions.

According to the constitution, the king is the head of state in a hereditary monarchy (though since the spring of 2010, pictures of his 15-year-old son Hussein, the heir apparent, have been put up across the country). He is not elected and can neither be dismissed nor controlled by elected representatives. The constitution grants him the power to rule without the consent of the elected Chamber of Deputies under certain conditions. The Hashemite monarchs have made vigorous use of these rights in the past, and it remains to be seen whether and to what extent the current demonstrations and protests will affect the king’s prerogatives.

In contrast to the palace, elected politicians have only restricted powers. The king has the right to appoint and dismiss the prime minister, and selects the members of the upper house (the House of Notables, or Majlis al-Ayan) as well as provincial governors. All judges are appointed by royal decree. The prime minister appoints the cabinet under the close supervision of the king. The lower house, the Chamber of Deputies (Majlis an-Nuwwab), may dismiss the prime minister with a two-thirds majority vote. A new prime minister has to win a vote of confidence in the lower house. Occasionally groups of deputies threaten to withhold this vote. In response, the prime minister then needs to reshuffle his cabinet with the consent of the king in order to gain a majority. The parliament thus has restricted influence, given the necessary level of coordination among deputies. It may put meaningful pressure on the executive branch of the government, but not on the Royal Court or the king.

While the lower house has repeatedly been the target of public anger and dissatisfaction, including in late 2010, the upper house, the senate, enjoys a relatively substantial degree of public support.
Independent political and civic groups are accorded the right of association, but only under strict restrictions imposed by the interior ministry and the intelligence service. According to the revised version of the public gatherings law of June 2008, demonstrations must obtain written approval by the local governor as well as the security services at least four hours in advance of the event. In 2009 and 2010, the government made several legal attempts to curtail the activities of the professional associations. The latter are among the strongest opposition movements in Jordan; dominated by mostly Palestinian Islamist and leftist activists in the northern cities, they in turn dominate the so-called anti-normalization front (directed against the “normalization” of Jordan’s relations with Israel). The professional associations’ demonstrations against the restart of U.S.-led Israeli-Palestinian negotiations in September 2010 were allowed, but were strictly monitored by heavy police and security forces. A new law on parties passed the parliament in April 2007, and was heavily criticized by a number of small opposition parties. This law imposed new restrictions on all political parties in the country. However, legal regulations that previously forced political parties and charities to obtain permission for routine meetings and activities were lifted. A first draft version of an amendment to the NGO law was discussed in spring 2008, passed the parliament in July of that year, was signed by the king in September, and entered into force in December 2008. This law allows increased control by state officials over the organizational and fiscal activities of international and domestic NGOs. While reform of the controversial electoral law and reformulation of the decentralization law was intensively discussed by the Jordanian public throughout 2009 and 2010, no legislation had been put before the parliament as of the time of writing. The November 2010 elections thus operated under the slightly revised temporary electoral law of May 2010.

A considerable number of the recent demonstrations and popular uprisings, which were mainly directed against the government and its social policies, took place without the consent of the authorities. However, these did not generate any serious clampdown on the part of the security forces.

The freedoms of opinion and of the press are in principle guaranteed by the constitution. However, this freedom is subject to important restrictions. Journalists are not allowed to report on the king or the royal family without authorization. Reporting anything that could damage the state’s “reputation and dignity” is also strictly forbidden. These taboos are structurally ingrained and remain out of bounds for the media in both law and practice. As a result, self-censorship among journalists is widespread. In addition, pre-censorship of newspapers, journals and publishing houses is allowed to a certain degree by law, and is facilitated by the fact that the biggest Jordanian dailies (ar-Rai, ad-Dustur, Jordan Times) are state controlled. Therefore, media reporting is distorted and manipulated on a daily basis by state institutions, often in the name of state security. Television and radio
broadcasting are subject to a higher degree of control than is the printed media, with
the partial exception of the transnational Arab news channel al-Jazeera, whose
offices in Jordan were constantly monitored and mostly closed during 2009 and
2010. English-language media enjoy greater freedom than Arabic editions. In
September 2007, press-law restrictions were extended to cover online publications.
Still, a number of critical bloggers have emerged in recent years. This does not
change the impression that independent and critical reporting is limited, as
Reporters Without Borders’ Press Freedom Index 2010 underlines: In this report,
Jordan is given rank 120 (out of 178 countries, down from rank 112 out of 175
countries in the 2009 index – the more relevant absolute score deteriorated from
31.88 to 37.00). In March 2010, an Amman court prevented journalists from
reporting on a big corruption trial involving, among others, a former minister of
finance. In August 2010, the government lifted some of the most repressive
restrictions contained in the cyber-crimes law.

3 | Rule of Law

As the head of state and main executive body of the state, the king holds the reins of
otherwise separated powers in his hands. He appoints and dismisses the prime
minister, supervises the selection of cabinet members and has the power to convene
and dissolve the parliament. During periods when the lower house is in recess or
has been dissolved, the king rules by royal decree. This practice was last adopted
between November 2009 and November 2010. In addition, the king names all
judges, provincial governors and the 60 senators of the upper house of parliament.
The separation of powers is therefore only minimally developed, and heavily
skewed in favor of the executive, particularly the king. Nevertheless there are other
politically relevant institutions, including the Royal Hashemite Court (Diwan al-
Maliki), the security service (mukhabarat), as well as portions of the Palestinian
business community that separately wield certain influence in the fields of foreign
affairs, domestic security and economic policy. However, this non-crown influence
rests on extra-institutional and informal mechanisms, and ultimately depends on the
tolerance of the king. The substantially increased political influence of the security
service under its head Muhammad Dhahabi in the years 2006 to 2008 was heavily
curtailed by the king with his nomination of Muhammad Raqqad to fill this role
instead. Since 2009, the Jordanian mukhabarat has again focused primarily on
regional and domestic security matters.

The judiciary is formally established as a distinct entity and operates without major
interference on minor issues, though it sometimes remains subject to political
control. Its independence ends when the political or economic interests of key
figures with considerable political clout are at stake. Moreover, given that judges
are usually appointed by the king himself, their interpretation of the law is usually
in line with the principles that underpin the monarchy. In spite of promises made during the early 1990s, Jordan still lacks a constitutional court empowered to review the constitutional fit of disputed government decisions. Since 2005, the jurisdiction of the State Security Courts (SSC) has been expanded by new anti-terrorism laws. The SSCs consist of civil and military judges, all appointed by the king. Defendants possess no right to appeal. The Court of Cassation is required to review SSC verdicts only in cases in which verdicts exceed more than 10 years of imprisonment, or in which the death penalty has been imposed. SSC proceedings are only partially open to the media and the public. Tribal law, even though officially abandoned during the 1970s, is still regularly applied on the local level. This narrows the jurisdiction of the state in some fields. Norms of tribal law have also influenced state legislation on a more general level, especially with respect to gender issues and “honor” killings. According to journalist Rana Husseini (Jordan Times), there were 12 recorded “honor” killings in the period from January to November 2010.

Corrupt officeholders are not systematically prosecuted under the law. Occasionally, cases of corruption are given wider publicity in order to have a deterrent effect and to sideline political opponents. Informal mechanisms of favoritism (wasta) are a widespread social practice with roots in Jordan’s tribal legacy. Favoritism’s negative effects are regularly subject to public debate. Surveys reveal that almost two-thirds of Jordanians believe that corruption exists in both the public and private sector. Corruption, favoritism and nepotism were named second, behind regional instability, in a list of important obstacles to democracy in Jordan, according to a survey by the Center for Strategic Studies at the University of Jordan. According to press reports, the Anti-Corruption Commission (ACC) looked into more than 200 cases of alleged corruption in the years 2007 and 2008. In both 2009 and 2010, more than 800 cases were investigated by the ACC, with more than 100 cases referred to the judiciary in 2010. In March 2010, four senior officials were detained on the basis of corruption charges relating to the expansion of the Jordan Petroleum Refinery Company (JPRC). Despite this visible growth in anti-corruption investigations, commentators still point to a lack of tangible political will to conduct substantial investigations in cases of corruption among public servants and politicians.

Civil rights are in principal guaranteed by law, but violations occur if deemed politically necessary by the king, the government and the security agencies. A number of practical restrictions exist, including with respect to the freedom of assembly, press freedom, the freedom of opinion, defendants’ rights and the rights of migrant workers. Human rights organizations such as Human Rights Watch and the Jordanian National Center for Human Rights complain about arbitrary arrests, incommunicado detention, and the use of torture in Jordanian prisons and – a particular problem – in police stations. A number of international NGOs have
increasingly pointed to discrimination against female migrant workers who lack Jordanian citizenship rights. In February 2010, Human Rights Watch reported that between 2004 and 2007, approximately 2,700 Palestinian-Jordanian individuals were deprived of their citizenship. With respect to women’s rights, a revised personal status law was drafted in April 2010 and adopted by the cabinet in September 2010 in the form of a temporary law. The new law updated legislation issued in the mid-1970s, and consisted of 327 articles, 141 of which were new. The new law was widely welcomed, but also subject to severe criticism due to lax restrictions on polygamy.

4 | Stability of Democratic Institutions

Even though some political actors are directly elected, as for instance the 120 members of the lower house, members of municipal councils and local mayors (with the important exception of the Greater Amman Municipality), these institutions exercise only limited political power. The next municipal elections are scheduled to take place in July 2011. Within the constraints given, electoral institutions are in principle able to fulfill their duties. However, the executive branch and especially the king are overwhelmingly more powerful than elected state organs, a state of affairs ingrained in the 1952 constitution. In addition, powerful parallel executive institutions exist which respond directly to the crown’s wishes (in particular, the Royal Hashemite Court). Overall, the authoritarian features of the political system clearly outweigh its democratic elements. The parliamentary elections of November 2010 solidified the dominant voice of pro-regime and often tribal figures within the Lower House, and these groups exert an increasingly conservative influence across a range of domestic political and economic issues.

Existing democratic institutions are accepted at a superficial level. Given the overarching tradition of informal rule and decision-making, as well as the dominant position of the king as a neo-patrimonial leader, it is questionable whether acceptance of the existing democratic institutions has been internalized by the Jordanian elite in any significant way. The dissolution of parliament on 23 November 2009, as well as the temporary electoral law of May 2010, shows that major elements of the political system have been and again be manipulated in order to fit the monarch’s perceived needs. The latest parliamentary dissolution and the subsequent absence of a functioning lower house for almost exactly a year highlight the low standing of this democratically elected body. This one-year period offers a prime example of the regular practice of adopting temporary laws (such as the new personal status law) without parliamentary consent, and later transforming them into permanent laws.
5 | Political and Social Integration

Jordan’s party system is underdeveloped and weak. The Islamic Action Front (IAF, the parliamentary wing of the Jordanian Muslim Brotherhood) is the only political party with significant popular support. Leftist, communist, Ba’hist and secular-nationalist parties lack grassroots support within Jordanian society. In addition to the presence of independents, several tribal organizations that call themselves parties remain influential within the post-November 2010 parliament, but these lack programmatic or broadly political attractiveness. These entities are regularly reconfigured by influential political figures, who build ad-hoc or short-term coalitions aimed primarily at using tribal networks’ influence to permanently protect the flow of resources toward local constituencies. Large numbers of citizens cast their votes according to tribal and kinship affiliations. Evidence of frequent vote buying exists, though reports show a clear decline in the practice in the 2010 elections in comparison to the 2007 elections. The party system went through a transformation in April 2007, when the new party law required the mandatory re-registration of all political parties within a year of the law’s passage. In the course of this process, parties had to prove membership of at least 500 individuals in at least five (of the 12) governorates. All party members were required to undergo a process of tightened security screening and registration by the state intelligence apparatus. In return, parties receive regular government funding, while access to other funding sources, especially foreign funding and money from professional associations, is restricted. The new law also provides for the possibility of banning a political party if it criticizes a friendly foreign country. This represents an indirect threat to the IAF and other parties that are critical of Israeli and U.S. policies, as well as of Jordan’s cooperative relations with these states. During the party registration process, the number of political parties dropped from more than 30 to just 14 by spring 2008, and the same reduced number ran during the November 2010 elections.

The new election law continues to be based on the single non-transferrable vote, hence impeding the emergence of new parties.

At first glance, Jordan seems to have a relatively well-developed network of cooperative associations, though these are mainly concentrated in Amman, the country’s capital. In addition, a number of influential informal networks exist. These networks, largely based on kinship and clientelistic ties, wield influence directly through members of the government, the Royal Hashemite Court, the intelligence service, parliamentary deputies or other influential figures. Associations’ freedom of action is limited due to increasingly strict laws. Trade unions have very limited power. The most influential groups are the 12 professional associations, often dominated by figures close to the Muslim Brotherhood
(especially the important Engineers’, Lawyers’ and Doctors’ Associations). These organizations have represented the backbone of opposition to successive governments. Their main focuses of criticism have been the government’s positions toward the Palestinian-Israeli conflict, Jordan’s support of U.S. foreign policies (except during the Gulf War of 1990 – 1991), and the implementation of liberal economic reforms. In 2005, 2009 and 2010, major attempts by the government to restrict the activities of professional associations further were prevented by the coordinated resistance of the entities concerned. In 2008, the public gathering law was liberalized in minor respects, but remained relatively strict. Nonetheless, it did not prevent the widespread demonstrations that erupted at the end of 2010 and the beginning of 2011, protesting the government’s socioeconomic policies and inspired by events in other Arab countries.

On average, 63% of Jordanians associate democracy with civil and political liberties, according to data from surveys conducted by the Center for Strategic Studies at the University of Jordan between 1999 and 2008 (when the most recent poll was conducted). Jordanian citizens, according to the same source, rate the degree of democracy in their own country well above the level of democracy in other Arab states, though nearly 80% of respondents express some fear of publicly criticizing ruling politicians. The latter finding accords with comparative data from the Arab Barometer, which shows that Jordan has had one of the lowest rates of individual protest participation among Arab societies during the past few years.

Overall, given the absence of reliable data (e.g., in the 2009 – 2010 University of Maryland/Zogby Arab public opinion polls), there remain major doubts over the degree to which Jordanians believe in a form of democracy which would accord with a Western idea of popular representation.

Although a considerable number of civil society organizations exist, pure numbers should not let this sector be construed as an effective tool of societal self-organization. Kinship and personal relations still constitute the main reference point for social organization in Jordanian society. Individual engagement is mainly confined to the upper middle class, and is restricted to Amman, the country’s capital. Activities of the Islamist movement take place under the auspices of the Islamic Center Charity Society, the biggest Muslim Brotherhood-related social umbrella organization, which runs kindergartens, schools, community centers and hospitals throughout the country. In July 2007, the government accused the Islamic Center of improper financial dealings, an issue which had not been definitively settled by the end of 2010.
II. Economic Transformation

6 | Level of Socioeconomic Development

In the updated 2010 Human Development Index (HDI), Jordan is assigned a value of 0.681 (rank 82 out of 169 countries and areas). This is only a small improvement as compared to previous years (in 2008 and 2009, the relevant scores were 0.673 and 0.677). Over the long term (between 1980 and 2010), Jordan has improved its score by about 35%, representing an average annual increase of about 1% during that period. The country scores slightly above the average of all ranked countries, and well above the average of all Arab countries since 1980. The share of the population living on less than $2 a day remained at a stable low level of 3.5% (2006), while according to the poverty report published by the Department of Statistics in July 2010, the percentage of Jordanians living below the poverty line slightly increased from 13% in 2006 to 13.3% in 2008. The most recent Gini coefficient was 37.7, indicating a small increase of income inequality as compared to previous levels. A more detailed study conducted by the Center for Strategic Studies at the University of Jordan has shown that the economic reform programs implemented since the early 1990s led to no significant improvement in living conditions, which have in fact deteriorated since 2008 due to the rising food prices. This issue was a key factor driving the protests that erupted in late 2010. Overall, these official figures are likely to be somewhat approximate, since they take into account neither the relatively large numbers of non-passport-holding residents of Palestinian and Iraqi descent nor the Egyptian and Southeast Asian guest workers. Among those groups, poverty figures can be expected to be much higher, but reliable and comprehensive data do not exist.

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<td>-0.7</td>
</tr>
<tr>
<td>Unemployment</td>
<td>%</td>
<td>13.1</td>
<td>12.7</td>
<td>12.9</td>
</tr>
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## Economic Indicators

<table>
<thead>
<tr>
<th>Economic Indicators</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign direct investment % of GDP</td>
<td>14.8</td>
<td>12.5</td>
<td>9.7</td>
<td>6.2</td>
</tr>
<tr>
<td>Export growth %</td>
<td>2.3</td>
<td>-12.1</td>
<td>-2.7</td>
<td>7.6</td>
</tr>
<tr>
<td>Import growth %</td>
<td>6.4</td>
<td>3.1</td>
<td>-7.8</td>
<td>7.1</td>
</tr>
<tr>
<td>Current account balance $ mn.</td>
<td>-2874.8</td>
<td>-2038.1</td>
<td>-1125.5</td>
<td>-1311.5</td>
</tr>
<tr>
<td>Public debt % of GDP</td>
<td>71.0</td>
<td>58.1</td>
<td>61.4</td>
<td>60.5</td>
</tr>
<tr>
<td>External debt $ mn.</td>
<td>8371.1</td>
<td>6579.9</td>
<td>6615.0</td>
<td>7821.8</td>
</tr>
<tr>
<td>Total debt service $ mn.</td>
<td>769.6</td>
<td>2703.1</td>
<td>584.7</td>
<td>653.5</td>
</tr>
<tr>
<td>Cash surplus or deficit % of GDP</td>
<td>-4.5</td>
<td>-2.1</td>
<td>-8.5</td>
<td>-</td>
</tr>
<tr>
<td>Tax revenue % of GDP</td>
<td>23.8</td>
<td>17.1</td>
<td>16.2</td>
<td>-</td>
</tr>
<tr>
<td>Government consumption % of GDP</td>
<td>23.3</td>
<td>23.6</td>
<td>23.5</td>
<td>21.4</td>
</tr>
<tr>
<td>Public expnd. on edu. % of GDP</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Public expnd. on health % of GDP</td>
<td>8.6</td>
<td>9.4</td>
<td>9.3</td>
<td>-</td>
</tr>
<tr>
<td>R&amp;D expenditure % of GDP</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Military expenditure % of GDP</td>
<td>6.1</td>
<td>6.3</td>
<td>6.1</td>
<td>-</td>
</tr>
</tbody>
</table>


### 7 | Organization of the Market and Competition

In recent years, Jordanian politicians have put a strong emphasis on market-based competition, at least in the context of public rhetoric. The country has long been one of the least regulated economies in the Arab world. While fixed to the dollar, the Jordanian dinar is today freely convertible, and trade and capital account restrictions are low. The overall business climate has improved considerably in recent years, as shown by the Heritage Foundation’s Index of Economic Freedom. However, the country’s main large-scale businesses and trading companies are intimately connected to the palace or to members of the core elite. Many enjoy oligopolies or even a monopoly within their respective segments. The influence of the state sector is still high (government spending comprises 38% of GDP). Even though some large state enterprises have been privatized since 2006, several (state) monopolies in the fields of transportation, mineral extraction and oil refining persist. During the recent world economic crisis, the government established a company in cooperation with the armed forces tasked with importing basic foodstuffs and distributing them at below-market prices. Official data on the informal sector do not exist. Unofficial
estimates, provided by the al-Quds Center in July 2010, hold that informal economic activities may account for about 20% of GDP, and that the informal sector employs as much as 30% of the national labor force.

A competition law was approved as a temporary regulation by the king in August 2002, and was endorsed by parliament in 2004. On paper, this measure prescribes price setting in accordance with market rules, and establishes a principle of free competition. In addition, a special court was founded to deal specifically with competition matters. There is no systematic evidence available indicating the degree to which anti-monopoly rules have been enforced since then, but according to the Ministry for Industry and Trade, approximately 300 cases have been investigated since 2002. As in many other Islamic countries, annual press reports reveal heated debates about rising prices before and during Ramadan, which points to a persistent competition problem within domestic food markets. Since early 2008, gasoline prices have been centrally determined and adjusted on a monthly basis by an interministerial committee according to changes in oil prices on international markets. At the end of 2010, the government announced new plans to liberalize the country’s oil sector by 2015.

Foreign trade regulations have been largely liberalized. Jordan’s weighted average applied tariff rate was 5.6% in 2008, well below the average rates of most other Arab states, even though some non-tariff barriers such as border delays, licensing agreements and quality controls remain in place and hinder the free flow of commodities. In 2000, Jordan joined the WTO. It signed free trade agreements with the United States in 2000 and the European Union in 2001. The country is also a member of the Greater Arab Free Trade Area (GAFTA) and the Agadir Process, and since 2008 has concluded a variety of free trade agreements with a number of additional countries. In 2010, Jordan signed an agreement creating a free trade area with Turkey, Syria and Lebanon.

Jordan’s banking sector and domestic capital markets are well developed, differentiated, internationally competitive and in compliance with international banking standards. Most banks reported a positive profit rate during 2009 and 2010, though profits fell temporarily by up to 30%. The bank capital-to-asset ratio has improved over the last several years (reaching 10.4% in 2008). The Arab Bank, one of the largest private financial institutes in the Middle East, dominates the domestic banking sector, accounting for about 60% of the country’s total banking assets. In addition, there are 12 other commercial and investment banks, two Islamic banks and eight foreign-bank branches operating in Jordan. The government controls four additional special credit institutions. An anti-money-laundering law has been enacted, and Basel II standards were recently implemented. Even though the level of nonperforming loans has risen since 2009 (to 8% in the third quarter of 2010), the Jordanian banking system weathered the global economic crisis relatively well.
This was largely due to the central bank’s relatively strict supervision and the government’s banking deposit guarantee, which was prolonged until the end of 2010.

8 | Currency and Price Stability

Maintaining a stable and appropriate inflation rate and retaining the convertibility of the dollar-pegged Jordanian dinar are among the publicly avowed goals of Jordan’s macroeconomic policy. The central bank is the main institution responsible for these aims. It is an independent institution, maintaining its autonomy even in potential crisis situations, as actual developments during the recent economic crisis showed. The fixed exchange rate is at an appropriate level, according to IMF assessments. Foreign currency reserves are high enough to offset short-term pressures on the dinar. In 2007, inflation started to rise, and in 2008 reached double-digit levels due to the government’s elimination of the fuel subsidy and rising global prices. However, interest rate differentials relative to the U.S. market were allowed to widen further, curbing inflationary pressure and credit growth. Parts of the adjustment costs on the household level were contained by public-sector wage increases and the distribution of cash assistance to small farmers and poor families. During the final quarter of 2008, the inflation rate began again to decline, and during 2009 even reached a negative rate (-0.7%), reflecting lower international oil and food prices. After a short peak in mid-2010, inflation slowed again at the end of 2010, reaching an IMF-estimated level of 5.5%. Inflation volatility over the last several years was largely driven by changing international prices and does not represent excessive domestic demand.

External observers retain confidence in the prudence of Jordan’s macroeconomic policies, as for instance demonstrated in the IMF staff report for the 2010 Article VI consultations. Nevertheless, major challenges remain, relating first to the economy’s vulnerability to international price oscillations, and second to pressures exerted by domestic interest groups. The subsidization of major basic commodities, including gasoline, has put extraordinary pressure on the state budget over the last decade. This pressure has been partially passed to the public in the form of rising gasoline prices and the end of the fuel subsidy in early 2008. In addition to seeking to reduce the portion of the fiscal burden attributable to state subsidies, successive governments have expanded indirect taxation levels. Direct tax revenues are still low compared to OECD countries. Despite the fact that annual budget deficits again reached double digits in 2009 (12.3%) and were still at high levels in 2010 (8.4% – although this data, taken from the Economist Intelligence Unit, does not include grants), the overall goal of bringing the budget closer toward balance remains a key government goal. Some progress has been made due to a tax reform implemented
under temporary law in 2010, resulting in rising revenues. The reduction of foreign
debt levels has also remained a government priority, as shown by the $2.4 billion
debt buyback operation finalized with Jordan’s Paris Club creditors in March 2008,
reducing the debt-to-GDP ratio to 53%. However, a widening fiscal deficit caused a
3% increase in overall debt in 2009, and another slight increase in 2010. IMF
estimates foresee a possible decline in the future, but note that the economy is still
vulnerable adverse shocks. At the end of 2010, the central bank’s international
reserves seemed to be high enough in regional terms to cover almost a year of
prospective imports of goods and services.

9 | Private Property

Property rights and the regulation of the acquisition of property are well defined and
widely respected. The government has reformed regulations so as to bring them in
line with international standards, as the implementation of new legislation on
intellectual property rights (IPR) demonstrates. Compliance with IPR has been
monitored effectively by a state agency in recent years, and has hence improved.
Some restrictions on property acquisition by foreigners in sectors such as land,
transportation and security remain in place. The 2011 International Property Rights
Index ranks Jordan 8th out of 17 countries in the Middle East and North Africa and
44th out of 129 countries worldwide.

Private companies represent the backbone of Jordan’s economy. Though leaders
have paid lip service to the privatization of state-owned companies since the mid-
1980s, privatization started to accelerate only in the late 1990s. After an initial burst
of activity, the pace quickly slowed, picking up again only in recent years. In 2005,
the telecommunications sector as a whole was opened up to private investors. In
2006, the government sold its stake in the Jordan Telecommunications Company
(JTC). In the same year, a 35% stake in the Jordan Phosphate Mines Company was
sold to the Brunei Investment Agency. In 2007, a number of electricity companies
and 71% of the national air carrier (Royal Jordanian Air) were sold to various
foreign investors. Since that time, the pace of privatization of remaining state assets
has slowed considerably, and the issue is today a topic of heated debated within the
country. Most recently, the government announced plans to liberalize the state-
owned oil sector gradually leading up to 2015, a process which will end the 50-
year-old Jordan Petroleum Refinery Company’s (JPRC) monopoly. In a first stage,
four private companies will be allowed to take over 25% of the market.
10 | Welfare Regime

Jordan’s social safety net is only partly developed, and is widely fragmented: About 30% of citizens lack health insurance coverage on a regular basis, while a general social insurance program is provided for employees in the formal sector. In addition, the military has its own social security system, so that health care is provided only for public-sector civil servants and the military. Palestinian and Iraqi refugees are supported by international organizations, mainly affiliated with the United Nations. However, the government and the king not only have a strong commitment to key social groups in the public sector and the security forces, but also toward poorer elements among rural Transjordanian citizens. A major initiative aimed at constructing a large number of affordable houses for mainly public employees largely failed in 2009, primarily due to the reluctance of major private banks to provide credit at market prices. The government has also been eager to supply major parts of the population with basic foodstuffs at prices well below world market levels over the last couple of years. As part of the welfare regime, public-sector wages, military payments and pensions have been regularly increased, though the government has tried to limit budgetary expenditures in this field by linking public-sector wages to inflation rates and increasing the early retirement age. Poorer elements of the society have been supported by the provision of free school meals, free winter coats for primary school children, and one-time cash assistance payments. However, large parts of the Palestinian population, even those who hold Jordanian citizenship, are excluded from this support. Poverty is widespread among this group, as among Iraqi refugees.

The government makes some official efforts to compensate for gross social differences. There is no discrimination on religious grounds in education or in the public sector. Certain disadvantaged groups enjoy some form of state support, such as university applicants with a Bedouin background, for whom an affirmative action policy exists. The representation of women in higher education is equal to that of men, and over half of Jordan’s university population is now female. However, the percentage of women in the workforce remains low (24.7% according to UNDP estimates), implying that women do not enter the labor market in numbers corresponding to their achievements in education. This might point to still-inefficient official campaigns and efforts in this regard. In addition, a number of informal mechanisms play an overarching role. Kinship and family ties still dominate access to the labor market. A quota for women and some ethnic and religious minorities ensures representation for these groups in the lower and upper parliamentary houses. In the 2010 parliamentary elections, a record number of seven women gained seats in the lower house (six women through the newly
expanded quota, as well as Reem Badran, a prominent businesswoman and daughter of former Prime Minister Mudar Badran). Palestinians are largely excluded from obtaining public sector employment or from joining the ranks of the army.

11 | Economic Performance

Inflation-adjusted economic growth slowed from 8.2% in 2006 to 2.4% in 2009, reaching a slightly higher level in 2010. Projections foresee a steady growth at roughly this level, which is well below levels reached during the 2004 – 2008 period. Official unemployment rates are in the double digits (12.7% in 2008, 12.9% in 2009). Unofficial sources estimate true levels to be around 30%. Unemployment is widespread, especially among young Palestinian-Jordanians. Independent reports show that poverty levels did not decrease following the implementation of structural adjustment programs in the early 1990s. The budget deficit started to rise again during the period under review, reaching over 10% of GDP, and the trade balance remains highly volatile, though foreign currency reserves are high enough to buffer short-term fluctuations. A large shadow economy still exists, estimated to account for between 20% and 25% of GDP.

12 | Sustainability

Environmental issues are taken into account at the institutional level, but are generally subordinate to economic concerns. In December 2002, the government established a Ministry of the Environment, which remains part of the cabinet portfolio today. Air and water pollution are well-known phenomena in regions with high concentrations of industrial enterprises, including the industrial zones in Zarqa and Ruseifa, the Gulf of Aqaba, and the Jordan valley. Water mismanagement in the agricultural sector has contributed to a drastic decline in national water resources, which overwhelmingly come from the Jordan river. This is not only due to Israeli water usage, but to a large extent also due to the misuse of water by a number of influential Transjordanian families with close ties to the king and the government. The scarcity of water is one of the central environmental issues, with increasing relevance for Jordan’s economic and demographic development. The country is already today among the world’s five poorest countries in terms of water resources. In 2010, a renewable-energy law was introduced, intended to make investment in renewable energy projects faster and easier.

Jordan ranks highly both internationally and in the Arab world in terms of access to and quality of education. The adult literacy rate (the percentage of literate individuals aged 15 or older) between 2005 and 2008 was 92.2%, and the combined gross enrollment ratio for primary, secondary and tertiary education in 2005 was 75.2%. This is above all the other non-oil exporting Arab countries with the
exception of Lebanon, though only 67% of Jordanians are satisfied with their educational system according to the UNDP Human Development Report 2010. In 2007, the latest figure available, 4.25% of GDP was spent by the government on education (representing 10.8% of the total state budget). Higher education received 1.54% of GDP, which is low compared to OECD and other middle-income countries. The volume of transfers to universities has significantly declined since 2002. No data on national R&D spending is available, but press reports suggest that spending levels are low. Private schools outperform state-run schools in primary and secondary education, but several reports have stated that – somewhat surprisingly – state-run universities provide better service than private ones. The truth of that assessment cannot be either proven or dismissed here. To be sure, the demand for higher education at the country’s state-run and more than 10 private universities has grown steadily in recent years. Overall, Jordan’s policy of relatively widespread education has successfully helped citizens to obtain professional jobs in the oil-rich Arab Gulf countries.
Transformation Management

I. Level of Difficulty

Structural constraints on governance are high. Jordan’s domestic market is small; the country is largely landlocked, with only minor access to the Red Sea at the Port of Aqaba. It struggles with scarce water resources and periodic droughts. Large parts of the country are comprised by what is effectively wasteland or desert soil. Only small stretches within the Jordan River valley are usable for agricultural production. Urban areas are highly concentrated to the north of the country. More than two-thirds of inhabitants live there. Poverty rates, especially among Palestinians and in rural areas, remains high. Many of the best-educated individuals in the labor force seek jobs in the oil-rich Gulf countries, causing periodic problems in finding enough professionals to fill jobs in the domestic economy and public sector. Informal mechanisms of favoritism (wasta) prevail within the political and economic spheres. While the military and public sectors are dominated by Transjordanians, most Palestinians work in the private sector or the informal economy.

Civil society traditions are weak. The number of registered NGOs has increased tremendously since the beginning of the political opening in the early 1990s, and is today estimated to be in the lower hundreds (based on interviews with Jordanian NGO representatives). However, strict legal requirements are imposed on civil society organization, and the rise in their numbers represents primarily an upgrading of traditional forms of cooptation, interest articulation, seeking of symbolic legitimacy, and competition for domestic and international resources. Some of the most important organizations conducting development and welfare projects among the poorer segments of the society are connected to the royal family, and these royally or government-organized NGOs (RONGOs or GONGOs) are said to dispose of the biggest budgets and have the widest margin for political maneuvering. Many of the remaining civil society organizations are structured around kinship or clientelistic relationships, most often dependent upon a single figure or the support of one family. The only vital grassroots organizations are professional associations dominated by Islamist actors, which have represented the primary opposition to a number of government policies for the last 20 years.
While religious tension is nearly nonexistent, Jordanian society is mainly divided between Transjordanians (whose families lived east of the Jordan River after World War I) and Palestinians (whose families lived west of the Jordan River at the same time). The latter group arguably constitutes the majority of Jordan’s population today, though exact numbers remain a highly political issue. This Transjordanian-Palestinian division represents the fault line of a significant societal polarization, prompting latent conflict that affects various areas of everyday life. Following the violent confrontations in 1970 – 1971 between elements of the army loyal to the late King Hussein (the father of the current monarch) and the Palestine Liberation Organization (PLO), Transjordanians have been systematically favored over Palestinians within the public sector and the army. However, wealthy Palestinians have been more successful within the private economy. The current election law as applied in the 2010 elections clearly discriminates against urban areas, where most of the Palestinians live. Many Palestinians, including the large number of those who hold Jordanian citizenship, seem to have become increasingly disillusioned with the current regime. Low voter turnout rates of less than 20% in densely populated Palestinian urban areas during the most recent parliamentary elections in November 2010 point to this conclusion. However, no reliable data on this divide is available. To speak publicly about the status of Palestinians as “second class citizens” represents a red line the regime will not allow to be crossed.

After intense conflict in the 2006 – 2008 period, relations between the regime and Islamist groups in 2009 and 2010 were largely characterized by neglect and partial cooperation. Due to government manipulation of both the municipal and the parliamentary elections of 2007, as well as the merely slightly revised temporary electoral law promulgated in 2010, the Islamic Action Front (IAF) initiated an electoral boycott which largely held from its announcement in July 2010 until the election day of 9 November 2010. Political demonstrations led by the Muslim Brotherhood and the IAF were allowed to take place, but were strictly monitored by state security forces. Most important in this regard were the protests against the U.S.-sponsored negotiations between the Israeli government and the Palestinian (de facto West Bank) Authority under (unelected) President Abbas in September 2010.

By summer 2010, Jordan was also host to circa 150,000 – 200,000 Iraqi refugees, according to Géraldine Chatelard of the Institut Francais du Proche Orient (IFPO Amman). Though these are mainly middle- and upper-class people who are increasingly active within the Jordanian economy, Iraqis have been blamed for rising real estate and food prices, especially during the years 2006 to 2008.
II. Management Performance

14 | Steering Capability

While the government, and especially the king, pursues an avowed long-term goal of economic reform aimed at the establishment of solid economic growth and stability, true democratic reform is not on the agenda. On a general level, the maintenance of power remains the overarching goal of the monarch and his entourage. Recent changes in laws regulating civil representation (specifically the temporary electoral law of May 2010) point to the subtle broadening of the authoritarian state’s influence over the most vital parts of society. Opposition forces have long agreed on the necessity of major political reforms, including amendments to the electoral law, the establishment of a constitutional court and an increase in parliamentary power. These and other reforms have been elements of the regime’s national campaigns such as the “Jordan First” (al-Urdun Awallan) initiative in 2002, the National Agenda in 2005 and the “We all are Jordan” (Kulluna al-Urdun) program beginning in 2006. However, promises made in these contexts have never been on the list of genuine political priorities. The mass protests in other Arab countries and the toppling of the presidents in similarly resource-poor and pro-Western Tunisia and Egypt also had political ripple effects in Jordan: In addition to the intensification of protest activities in different parts of the country, especially in Amman, they helped bring the necessity of clearly democratic reforms prominently back into social view. While King Abdullah II heeded protesters’ calls by ousting the Rifa’i government on February 1, 2011, and by setting up a national committee on political reform, by March 2011 he still had not moved substantially beyond the rhetoric of reform. Moreover, the controversial electoral and decentralization laws had not been brought under discussion. The appointment of Ma’ruf Bakhit as prime minister in February 2011 does little to testify to the regime’s interest in initiating democratic reforms; as a general and a prominent representative of the Abbadi, the largest tribe in the country, Bakhit represents two of the most influential, most traditional backbones of the Hashemites in Jordan: the army and the Transjordanian tribes. During his first term as prime minister (late 2005 to 2007), Bakhit was responsible for the crackdown against the Muslim Brotherhood and the IAF in 2006, following Hamas’ landslide victory in the Palestinian parliamentary elections of January 2006.

External dependency remains substantial. Large parts of Jordan’s budget consist of direct aid and soft loans given by major international and regional powers. While rising levels of Arab aid seems to be related to intra-Arab rivalries and the maintenance of the regional status quo, Western and multilateral aid is conditional
upon political liberalization, free-market economic reforms and the enhanced efficiency of the administrative bureaucracy. However, even if official project evaluations accentuate the achievements of implemented donor projects, progress in many areas has in fact been slow, as a number of detailed reviews of aid-funded projects has revealed. This highlights the Janus-faced reality of externally funded reforms in Jordan: Much is promised in order to get much, but implementation is slow, ensuring that little is changed.

Even though a number of democratic reforms have been announced, and the term as such is regularly part of the official rhetoric of the king and his advisors, there has been no real democratization of the Jordanian political system. On the contrary, the window-dressing political adjustments in early 2011, the closure of the parliament from November 2009 to November 2010, and the amendments to the public gathering, press and party laws since 2007 have continued to restrict the freedom and activities of regime-critical actors. At the same time, the very implementation of these public policies by the government can be considered to function across the country and its different governorates.

On the surface, reforms aimed at establishing a market economy have been successful. Trade and capital account regulations have been liberalized, large state companies privatized, and subsidies cut and refocused away from flat rates to cash assistance for the most needy. In addition, macroeconomic policies, heavily influenced by the central bank’s duty to keep the fixed exchange rate relative to the U.S. dollar stable, have been successful in providing economic stability to the whole economy. However, structural problems persist, remaining unaddressed by the government. A number of oligopolies remain, as well as barriers to access for prospective new actors in several economic sectors. Moreover, the existing competition legislation does not seem to have been enforced equitably at all times. Income differences within Jordanian society remain high and have increased since the dawn of the new millennium.

The political leadership makes rhetorical concessions to mistakes and failed policies, but real changes are rare. This can be seen by King Abdullah II’s – in regional comparison – rather passive reactions to the Arab and Jordanian mass protests that rose at the end of 2010. In general, the government enforces its policies without leaving much room for compromise. The political system does not provide for institutionalized forms of conflict resolution. The leadership does not aim for broad formal consensus-building, but relies on informally co-opting the country’s key elites in order to assert its aims. If the decision-making process reaches deadlock, key political elites including the prime minister and the cabinet will be replaced by the king. A large number of families and groups are close to the palace, providing a pool from which the monarch is able to choose, if necessary. What learning from donors and international organizations does take place is largely performed by Western-educated elements within the state bureaucracy. Some of
this can be interpreted as efforts by leading technocrats to use new approaches and slogans taken from the international development community in the quest for renewed international support and aid. However, King Abdullah II’s foreign policy skills have proven deft enough to adjust and fine tune Jordanian foreign policy to the constantly evolving dynamics of a rather turbulent neighborhood.

15 | Resource Efficiency

Jordan is acknowledged among international organizations and donors to use resources relatively efficiently compared to other middle-income countries. This has been demonstrated by relatively positive reviews under a number of programs over the course of the last decade. World Bank data from the Aggregate Governance Indicators place Jordan in the middle of the third upper quartile in terms of government effectiveness, showing an upward trend since 2007. Though a number of new institutions have been built and reform programs implemented under the guidance of international donors, a number of shortcomings remain. In particular, Jordan’s administration is mainly staffed by Transjordanians, who are given preference in hiring as public servants even though Palestinians account for the majority of the country’s population. Kinship still plays an influential role within the process of recruiting new state employees. Major structural reasons and increasing international prices have led to progressively rising budget deficits since 2008, though the government has tried to increase revenues and to curtail expenditures. While budget deficits remain a continuing problem, the government has had some success in improving its efficiency of resource use through its reduction of fuel subsidies.

The government has tried to coordinate conflicting objectives and interests, but has been only partially successful in this task. Over the last decade, several capacity-building initiatives linked with public-sector reform strategies have failed, due to the inability to move forward with a cross-sectoral agenda. This highlights a more general problem of policy coordination. Government agencies usually operate as separate islands, using different information technology systems and failing to establish joint-staff meetings that would allow communication between the various levels of the administrative hierarchy. The central and often only coordinating body is the cabinet, which therefore must address and negotiate even minor issues. There were no major changes with respect to government coordination during the period under review.

A handful of integrity measures have been implemented in recent years, such as state spending audits and new oversight for party financing. In autumn 2006, an anti-corruption law was passed and promulgated. One year later, an Anti-Corruption Authority was sworn in, reporting directly to the prime minister. In 2007, a money laundering law was enacted. Corruption is perceived as being
widespread and commonplace, and some observers have indicated that in recent years it has worsened at the highest political level. On a general level, access to government agency information on the part of citizens and media organizations is not comprehensively guaranteed, and the phenomenon of favoritism (wasta) is still prevalent throughout society. Samir Rifa‘i, who became prime minister in December 2009 (but was replaced again on February 1, 2011), made the battle against corruption a top priority. In March 2010, a number of well-connected persons were arrested and alleged to be involved in a major incident of bribery relating to the expansion of the Jordan Petroleum Refinery, a very rare case of anti-corruption controls targeting figures at the top of the system. The state security court issued a verdict in July 2010, sentencing each of the four main subjects to three years in prison. Media coverage of this case was rare due to a state security ban. However, observers point to the case as a signal to elements of the elite, a warning that the general public’s rising concern over corruption cannot be ignored. Government reactions to popular demands during the early 2011 protests may indicate the continuation of active anti-corruption measures, including of the prospect of additional prominent anti-corruption cases.

16 | Consensus-Building

Major political actors have differing views on the scope and direction of reform, particularly with respect to economic reform. The majority of conservative parliamentarians lobby against the quick implementation of liberal market reforms, as these would negatively affect their primarily rural constituencies. This system-loyal opposition to the government’s economic reforms in the lower house led King Abdullah II to dissolve parliament in November 2009, two years before the end of its term. The appointment of Samir Rifa‘i as prime minister in late November 2009, and again after parliamentary elections in November 2010, signaled the continuation of the king’s market-liberal policy preferences. The growing social protests in the course of and after the November 2010 elections led the king to reconsider his political priorities, and to focus even more strongly on appeasing and co-opting prominent members of the country’s influential tribal families. The privatization program has been highly contested since its beginning in the early 1990s, and only gained momentum after 1999, under the rule of King Abdullah II. The leadership claims a commitment to democratic reforms as well, but the degree to which major decision makers are motivated to pursue a true democratic reform of the country is open to doubt. Political reforms to date have centered on the perpetuation of the status quo, and the temporary electoral law of May 2010 and – to some extent – the personal status law are prominent examples of this.
In general, the only forces demanding true democratic change in Jordan are a comparatively small number of mostly urban intellectuals and marginalized groups, along with external actors. None of the relevant political decision makers seems to be interested in establishing a functioning democracy. In the spring of 2009, prominent Muslim Brotherhood politician Irhayel Gharibeh started his “constitutional monarchy” initiative, calling for true democratic reform that would include the election of the prime minister and the cabinet. Some constitutional adjustments curtailing the de jure powers of the king were also hinted at. This discussion was taken up again by other, non-Islamist opposition politicians in the context of the parliamentary elections of November 2010 and the protests in early 2011.

The political leadership neither reduces existing divisions in the society effectively, nor exploits or actively promotes them. However, the leadership has tried to reduce open and violent conflict through a mixture of repression, favoritism (direct cash handouts) and symbolic gestures (the king paying “surprise visits” to neglected areas and families). During 2009 and 2010, the number of violent incidents involving rival tribal families clearly increased. Most obvious were inter- and in part intratribal clashes in the context of the November 2010 parliamentary elections, when the families of losing candidates clashed with those of the winners. These clashes took place across the country (in Ajlun, Ma’an, Madaba, Mafraq, Karak, Irbid and Salt). Similarly, violence broke out at various university campuses (in Amman, Irbid, Ma’an) in December 2010 in the context of elections for student councils. No official conflict-management process addresses the marginalization of Palestinians or the status of Iraqi refugees.

The political leadership frequently ignores the interests of and requests from organized civil society actors. For the most part, the government and the king formulate their policies independently of this sphere of the political system. Instead, decision makers seek the approval of selected actors who are invited to discuss reform issues without being given real power. The creation of the draft National Agenda in 2005 was probably the last prominent example of such a pattern of committee politics. It was established by royal decree without parliamentary consultation or approval, designed to frame major political reform initiatives for the years to come. For most other issues, the government typically drafts new laws without systematically consulting civil society groups beforehand. Concerned civil society actors might then express their concerns through elected parliamentarians or influential figures. Only in the final stage do groups that have been excluded or marginalized try to lobby the royal court on behalf of their concerns, with the aim of influencing the king.

The political leadership does not address past acts of injustice and has not initiated any process of reconciliation. The Hashemite monarchy has controlled the state since its foundation in 1921. Its power is to an important degree based upon the
division between Transjordanians and Palestinians, with large parts of the latter group being treated in many respects as second-class citizens (the exception being the regime-loyal Palestinian business elites). Injustices committed against Palestinians, political opponents, prisoners or migrant workers are neither officially nor unofficially discussed to any satisfactory degree, and victims receive no official compensation.

17 | International Cooperation

The political leadership has been forced by economic constraints to work closely with the international donor community since the late 1980s. Jordan enjoys a comparatively good reputation in implementing IMF and World Bank macroeconomic programs. With a relatively independent central bank and an exchange rate fixed to the U.S. dollar – the result of IMF and World Bank recommendations after the disastrous policy of the late 1980s – the country’s macroeconomic management has proved successful both before and during the recent economic crisis. Other externally induced reform projects, such as efforts at public sector reform, have largely failed to show positive results. Jordan has developed special relationships with successive U.S. administrations, which have provide large amounts of military and economic aid directly to the public budget. The European Union, Japan and other bilateral and multilateral donors are at least formally committed to inducing political change; however, even though some good-governance and capacity-building reforms in the area of anti-corruption regulations and e-government have been implemented, effective political change has been slow to emerge. In October 2010, Jordan became the second Mediterranean country (after Morocco) participating in the European Neighborhood Policy to reach advanced status in its relationship with the European Union.

Jordan enjoys a good reputation in the eyes of international donors for its willingness to engage in economic and political reforms. Therefore, Jordan is often portrayed as a “model reformer” and a “very important partner” in the Arab Middle East, as stated in the European Union’s European Neighborhood Policy Progress Report from May 2010. Jordan has fulfilled most official reform conditions laid out by the World Bank and the IMF during the course of several structural adjustment programs (the last of which concluded in 2004). The king plays an important role in this respect. He publicly and informally highlights the country’s need, as well as its willingness to implement market-based and democratic reforms. However, failures to do so are often glossed over within evaluation reports; constant reference is made to economic indices, while major structural problems are ignored.

Jordan plays an active regional role within the limits given by its capacities and the political situation. It is a driving force behind a number of regional initiatives for good governance (e.g., anti-corruption regulations and e-government), and the king
has been actively involved in seeking a solution of the Palestinian-Israeli conflict. Its most recent major regional initiative was the role taken in the U.S.-sponsored Israeli-Palestinian negotiations, which commenced in September 2010.

Nevertheless, cooperation with regional partners has been made more difficult by the turmoil in Iraq (to the east), in the Palestinian territories (to the west) and at the Israeli-Lebanese border. With regard to Iraq, Jordan has lost its previous close and cooperative relationship with the government in Baghdad, which under Prime Minister Nouri al-Maliki has shifted its focus toward Iran, Syria, Turkey and some Arab Gulf countries as its primary partners. Jordan enjoys good relations with the Gulf countries, and has received large budget grants and foreign direct investments from private and state investors in the region. The exposure by Arab Bank – by far the largest private bank in the country – to major Saudi and Dubai conglomerates that collapsed or nearly collapsed during 2009 raised concerns about potential problems in Jordanian markets as well. As a direct reaction to this, the government quickly announced a guarantee of all bank deposits until the end of 2010.

Jordan has enjoyed excellent political and economic relationships with Egypt, though the resignation of President Hosni Mubarak in February 2011 has introduced a new source of uncertainty. However, the countries are closely tied together from a structural perspective. Relations with Syria have improved decisively, leading to a number of economic cooperation projects in the fields of water distribution and transportation. Bilateral relations with Iran also thawed in late 2010, with reciprocal visits by ministers taking place for the first time in many years. However, any further rapprochement between Amman and Tehran will be dependent on the larger context of Iran’s relations with the United States and Saudi Arabia, both important partners of (and donors to) Jordan. Jordan’s relationship of dependency can also be seen in its participation with the International Security Assistance Force (ISAF) troops in Afghanistan; while its military engagement is considered a necessity by Jordan’s foreign policy elites in order to maintain Western support, it is seen more critically by the Jordanian population (though exact survey data on this issue does not exist).

With regard to Palestine, Jordanian policy continues to be divided between close coordination with the West Bank-ruling Fatah under (unelected) President Mahmud Abbas and criticism of Hamas and its dominance of Gaza. The short period of thaw between Amman and Gaza in the second half of 2008 has been superseded again by implicit support for the international policy of blockade.

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

While economic progress slowed considerably in 2009 and 2010, and there is doubt as to whether growth rates can again reach the highs of 2004 – 2008, Jordan has maintained a stable path of macroeconomic development. But how long can this last? The budget deficit has been on the rise since fall 2007, and will most likely stay only marginally below double digits for several years to come. Recent mass political protests will put additional pressure on state expenditures. A still persistently negative trade balance might result in rising current account deficits, which may no longer be covered by increasing foreign direct investment and workers’ remittances. While foreign currency reserves are still high, and inflation rates have returned to a moderate level, an exacerbation of the regional political crisis combined with continuing pressures on state expenditures might lead to a loss of confidence in the dinar, which is today pegged to the U.S. dollar. With only limited capital-account restrictions in place, it seems possible that foreign and domestic investors could flee the dinar under such circumstances. In such a case, foreign currency reserves would dwindle, and the national currency would have to be devalued, abandoning the fixed rate to the dollar. This could be followed by the kind of disturbing political and social consequences observed at the end of the 1980s. In this scenario, much would depend on the central bank’s steadfastness in keeping interest rates high, avoiding the kind of inflationary bubble that emerged three decades ago. If this guiding central-banking principle were to erode, a new monetary and then fiscal calamity would be likely. If the bank stayed firm, Jordan could steer clear of another state bankruptcy. Separately, Jordan must put more effort into developing its export capacities. The introduction of qualified industrial zones (QIZ) after the peace accord with Israel, which provided exclusive access to U.S. markets for joint Jordanian-Israeli products, was a first step in the right direction despite the emergence of problems. This initiative should be followed by more comprehensive improvements aimed at creating an environment in which major parts of the Jordanian economy are able to expand their production capacities once the world economy regains its former strength. The upgrading of existing export-oriented industrial clusters will also lead in the long run to a reduction in domestic unemployment. Moreover, Jordan’s increasing dependence on external budget aid (grants) and credit is alarming. If the region’s political uprisings render donors wary of providing further support to the kingdom, the government will be forced either to cut expenditures or increase revenues drastically. While expenditure cuts may provoke social unrest, Jordan’s domestic revenue base should be expanded further. The introduction of the sales and later the value-added tax during the 1990s represented first successful steps in this direction, but should be followed by reforms of the corporate tax and eventually the introduction of a comprehensive personal income tax system.

King Abdullah II has successfully managed to stay in power, retaining the loyal support of the army and the security forces. As of the time of writing, there appeared little doubt that this situation would persist, though the mass protests in other Arab countries did have ripple effects.
in Jordan, primarily in the ousting of the Rifa’i government in early February 2011 and the announcement of a national dialogue forum on political reform. However, with political protest intensifying, particularly among Transjordanian segments of the society, there is the possibility of a managed extension of institutional political participation, for instance by extending the power of the parliament. Given the increased social and – in particular – tribal violence in late 2010, the state organs of repression will keep a tight grip on the security situation, especially in rural areas. The November 2010 parliamentary elections underline the consolidation of authoritarian features in Hashemite Jordan. In these elections, the influence wielded by more traditional elements of the Transjordanian minority has once again expanded, while Palestinians are significantly less well represented within the parliament (though as a concession, King Abdullah II nominated prominent Palestinian-Jordanian Taher al-Masri to head the upper house in November 2010). This imbalance is an issue of serious concern, and not only from a normative perspective. In the medium term, underrepresentation may lead marginalized groups to pursue extra-constitutional ways of making their voices heard. The king and the government should thus seriously consider ways of improving the representation of the majority of Jordanian citizens within the domestic political system. On the international level, King Abdullah II, quite in the tradition of his late father King Hussein, has demonstrated his ability to work as a regional mediator on varying fronts. He has established himself as a reliable partner for other Arab states, and in particular for major international powers such as the United States.