INSS Insight No. 498, December 19, 2013

Syrian Refugees and the Challenge to Jordan

Itamar Cohen

The election of Jordan to the UN Security Council on December 6, 2013 by a crushing majority of 178 countries – in place of Saudi Arabia, which decided to forego the seat – reflects international acknowledgment of the challenges facing Jordan, mainly in the economic sphere, and the policy line adopted by the Hashemite kingdom. Israel, which wishes to maintain tranquility and stability along its long border with Jordan, should welcome this development, which strengthens the kingdom's political and diplomatic standing.

In order to maintain the stability and survival of the Hashemite kingdom, Jordan desperately needs economic aid from the international community. The ongoing stream of Syrian refugees flooding the streets in Jordan over the past 30 months, the closing of the trade routes between Jordan and Syria, the disruptions in the flow of natural gas from Egypt to Jordan, the uncertainty concerning the end of the civil war in Syria, and the situation that will ultimately prevail in Syria all pose serious challenges to Jordan's stability.

In late May 2013 the number of Syrian refugees in Jordan was estimated at 489,000, constituting 8 percent of the population; in early September 2013, just over three months later, the number of refugees in Jordan reached 580,000, an average of about 30,000 new Syrian refugees per month. The most recent reports calculate that the number of Syrian refugees in Jordan has exceeded the 600,000 mark. The announcement by the Jordanian government that it does not intend to close its northern border as long as the horror in Syria continues has led the United National High Commissioner for Refugees to predict that the number of Syrian refugees in Jordan will exceed one million in 2014, constituting 16 percent of the population.

Hosting such an enormous number of refugees is a huge burden on the Jordanian economy, and government spending over the past 30 months has indeed skyrocketed.

Itamar Cohen is an intern at INSS. This article was written with the assistance of Dr. Oded Eran.

Jordan’s official plans project $850 million in spending on refugees in 2013, with most of the money earmarked for essential services such as water, energy, health, and subsidies. The Jordanian government also provides other categories of basic aid, including education, municipal services, defense, and absorption services.

The demographic composition of the Syrian refugees poses particular problems: as of April 2013, 41 percent were children, 33 percent women, and the rest men – mostly old and ill. This distribution places a heavy burden on the hospitals and medical equipment. The medical supplies in the emergency warehouses are rapidly being depleted, and the volume of medications that the Jordanian Ministry of Health purchased rose 15 percent in 2012 over 2011 (representing $14 million in extra spending); spending on this item was up a further $16 million in 2013 from the 2012 figure. According to Jordan’s Ministry of Health, over $50 million has been spent on the medical needs of the Syrian refugees since the crisis began.

The majority of the refugees from Syria in Jordan (about 70 percent) live in cities and villages, far from the reach of the humanitarian organizations and the public sector employees responsible for enforcing the laws applying to immigrants. Without permission, the Syrian refugees have flooded the local labor market and affected the chances of the local residents, especially the lower classes, where most workers are unskilled, to earn a respectable living. These refugees intensify the competition for jobs, and prompt both higher rents and lower wages than what was previously paid to Jordanian employees.

In addition to increased imports necessary for dealing with the refugees, the many disruptions in the natural gas pipeline from Egypt to Jordan have expanded state spending for energy. Jordan, which imports 97 percent of its energy, used to import 240 million cubic meters of Egyptian gas per day. Since the revolution in Egypt in January 2011, Egypt has been pressured to preserve its energy resources for its own internal needs at the expense of exports. Furthermore, security problems in Sinai are making it difficult for the Egyptian government to repair sabotage and malfunctions in the gas pipeline. The repeated attacks by residents of Sinai on the gas pipeline passing through their territory have caused many explosions in recent months and a halt in the supply of gas.

Another reason for Jordan’s burgeoning trade deficit is the closing of trade routes between Jordan and Syria. Syria is an essential trade route for Jordan for imports and exports. Closing this trade route impacts negatively on many trade agreements between Jordan and countries in the region, and hence on Jordan’s economy, and is forcing the Jordanian government to seek commercial alternatives. The table below presents some leading economic indicators in Jordan.

Exports	Jordan's national exports were down 0.2 percent in the first nine months of 2013, compared with the corresponding period in 2012.
Imports	Jordan's imports rose 6.2 percent in the first nine months of 2013, compared with the corresponding period in 2012.
Balance of Trade	Exports covered 38.4 percent of imports in the first nine months of 2012, but only 35.8 percent of imports in the first nine months in 2013.
Inflation	Inflation rose sharply in 2013, with the steepest price rises in cooking gas, transportation, and vegetables.
Unemployment	The unemployment rate in Jordan in the third quarter of 2013 stood at 14 percent, its highest level in the past five years.
Public spending	Public spending is projected to reach over $11 billion in 2014 (at an exchange rate of 0.7 Jordanian dinar/$) – a substantial increase, compared with public spending in 2013.
Budget deficit	The current budget deficit of $1.366 billion is expected to grow by 15 percent in 2014.

Analyses currently underway in Jordan show that the economic aid to Jordan in 2013 did not match the scope of the distress. In April 2013, the United Nations Children Emergency Fund (UNICEF) announced that lack of money might force it to stop giving aid to over 100,000 Syrian children. "The needs are rising exponentially, and we are broke," said UNICEF spokesman Marixie Mercado. A month later, the United Nations Office for the Coordination of Humanitarian Affairs (OCHA) described the situation of the Syrian refugees as "a humanitarian catastrophe," and warned that its budget for aid to Jordan was not enough to meet the needs in the field. Jordanian Minister of Planning and International Cooperation Jafar Hassan has also stated on a number of occasions that the current level of aid does not cover the problem, and the world population should provide more help than it is giving at present.

The official figures from Jordan, which show that foreign aid to the country is projected to grow 17.3 percent in 2014 over the amount given in 2013, the declarations by the International Monetary Fund that it remains committed to economic cooperation with Jordan whenever necessary, and recognition of Jordan's standing by the international community, as reflected in its election to the Security Council, suggest that the international commitment to provide aid to relieve the difficult economic situation will broaden in 2014. International economic support is the key right now to Jordan's stability and its economy, and as such, to the security of Israel along its eastern border. For this reason, it is possible that Jerusalem should consider taking part in the effort to raise money for Jordan, along the lines of the pressure exerted on elements in Washington in recent months against a suspension of aid to Egypt.