

# **Jordan: Relative Stability in the Eye of the Storm**

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The turmoil that has gripped the Middle East since late 2010 has not bypassed Jordan entirely, but the Hashemite Kingdom has thus far succeeded in managing the socio-political challenges emerging from the volatile environment. Some of these challenges originated before the wave of uprisings, but were aggravated by the political upheavals in the region. Other challenges were spawned by regional developments over which Jordan had no control. Whatever the source of the challenges, however, Jordan will be forced to contend with them in the coming years. Failure to do so could seriously undermine the stability of the regime, with far reaching consequences in the region.

For Jordan to be able to cope successfully with the problems it faces today, it will need both a stable leadership that conducts itself wisely in the face of domestic pressures in the kingdom, and generous assistance from supporting states, including Israel. This cannot be an isolated event; it must continue over time. Yet this support is far from guaranteed, and even today, Jordan is hard pressed to mobilize it.

## **The Demographic Challenge**

Since its establishment as an independent state, Jordan has absorbed waves of immigration that were large both in absolute terms and relative to the size of its population. The waves of immigration following the wars with Israel in 1948 and 1967 created a Palestinian majority in a kingdom led by a Hashemite minority with tribal origins in the Arabian Peninsula. The

third wave of immigration took place in 1990-91 and included mainly Jordanian-Palestinians who were deported from the Gulf states due to King Hussein's verbal support for Saddam Hussein, following Iraq's invasion of Kuwait in August 1990. A fourth wave flooded Jordan in 2003 when nearly half a million people fled Iraq for Jordan. These refugees were not granted citizenship, and therefore at this stage their residency in Jordan has economic significance only and no domestic political implications. Finally, in the past three years, nearly 1 million refugees from Syria have found safe haven in Jordan, and it is difficult to estimate the domestic political consequences of their continued presence in the country. In contrast to the Iraqi refugee community, which came to Jordan with some money, nearly the entire Syrian population arrived destitute, without any financial resources whatsoever.

The working assumption about the future of these two groups must be that neither can be expected to return to their country of origin soon. The chaos in Iraq and in Syria is not expected to end in the coming years, and refugees will likely continue to flow from Syria to Jordan. If these refugees remain in Jordan for many years, the question will arise regarding political and citizenship rights. Any change in the status of the refugees from Iraq and Syria would lead to a change in the domestic balance of power in Jordan, with the Palestinians likely losing their majority status in the country. This is all currently hypothetical, but Jordan's history shows that few of the refugees that immigrated to the country have ever found their way home.

### **The Domestic Political Challenge**

The demand for greater democracy that ignited the uprisings in the Arab world in December 2010, and prior to that in Iran in 2009, was also sounded in Jordan, although more quietly and modestly than in Egypt and Syria. The main political force in Jordan behind this demand is the local version of the Muslim Brotherhood. Although it has not challenged the institution of the monarchy, the Muslim Brotherhood has sought to limit the king's powers and turn Jordan into a constitutional monarchy. Due to a combination of several factors, King Abdullah II has succeeded in overcoming most of the Muslim Brotherhood's demands while making

minimal concessions regarding his basic powers. However, this success may be temporary, with the demand to limit the king's powers intensifying and coming not only from the Muslim Brotherhood, but from the younger generation of the educated middle class, which would seek a government that is more open and less alienated from its constituents.

For now, however, the few concessions that were made, reflected in the new constitution, have managed to calm the situation and temper the demands. The measured use of force (without firearms) by domestic security forces while suppressing the demonstrations reduced the impact of the clashes, rather than spurring the public to attend violent demonstrations. The Muslim Brotherhood erred in its assessment that boycotting the elections would disrupt the political process. It was left without representation in the parliament and without claims that could stir up public opinion and motivate people to take to the streets en masse. The military coup in Egypt, which removed the Muslim Brotherhood from power in July 2013, weakened the movement further in the Gaza Strip and in Jordan. The horrific scenes in Syria during the civil war and the thousands of Syrian refugees wandering the streets of Jordanian cities in search of work have likewise tempered the enthusiasm of those citizens of Jordan who not long before were prepared to participate in demonstrations against the regime.

There were others in Jordan who, along with members of the Muslim Brotherhood, demonstrated against the regime at the start of the "Arab Spring." These were primarily tribal elements, particularly in the poverty stricken southern towns, which are traditionally more loyal to the royal house. These individuals were driven by the desire to improve their economic situation. In light of the relative calm in these areas in the past year, the regime, as is its wont, has presumably found ways to channel money to these centers of protest and assuage the anger. Although the Jordanian regime is unlikely to be endangered by this sector in particular, if the economic situation in the south worsens significantly, it could ignite serious unrest in other areas. Hence there is a need for the regime to be especially careful, including with the traditionally loyal branch of the population.

## **The Economic Challenge**

Even a country with an economy more advanced and stable than Jordan's would have a hard time dealing with the problems created by the sudden, mass immigration of nearly 1 million impoverished refugees in a period of less than three years. As shown in International Monetary Fund reports, however, the Jordanian economy has coped with this challenge with considerable success. An IMF official stated that immigration to Jordan, along with the crisis created by the halting of the supply of natural gas from Egypt, has leveled much pressure on the Jordanian economy. Immigration has caused difficulties in the job market, in the provision of services, and in housing. Nonetheless, the official pointed to slow but stable economic growth, success in preventing inflation, and a reduction in the external current account deficit.<sup>1</sup> At the same time, IMF experts have noted Jordan's ongoing need for monetary grants from outsiders in order to reduce the macroeconomic pressures in the kingdom and thereby improve its ability to cope with immigration from Syria and with the lack of an immediate and available replacement for the supply of gas from Egypt. The IMF itself has provided loans to Jordan in the amount of \$2.06 billion, and by late 2013 had released about half of this amount, following the positive reports from the IMF missions that visited the kingdom.

The report by the Central Bank of Jordan published in September 2013 shows that there is a trend toward improvement.<sup>2</sup> The bank's foreign currency reserves have increased to almost \$11 billion, which is equivalent to six months of imports. In absolute terms, Jordan's national debt, internal debt, and external debt have increased slightly, although according to data from July 2013 the ratio between the debt and the gross national product decreased from 75.5 percent in late 2012 to 73.5 percent in 2013. The report also stated that Net Direct Investments – a critical measure of the international business community's confidence in the economic stability of a country – have increased. The fact that Jordan has succeeded in raising funds by issuing bonds is also proof of the positive assessment among the international financial markets.

At the same time, the IMF report prepared for the conference of donor states indicated some dangers.<sup>3</sup> One stems from the possibility of an exacerbation of Syria's internal crisis, which would lead to additional

waves of refugees flooding Jordan. Continued difficulty in supplying gas to Jordan also appears to be a significant risk. The disruptions in regular supply have caused considerable losses to the Jordanian electric company, which are expected to reach some 2 percent of Jordan's Gross Domestic Product in 2014.

The IMF's recommendations include economic reforms that if not carried out judiciously and do not sufficiently protect society's disadvantaged could, as happened in the past, cause unrest among the populace, even those known for their traditional support of the regime. They could also serve as the catalyst to violent demonstrations that will have a broad impact, given the developments in the region and those in Jordan in the past three years.

Another significant statistic in the report by the Central Bank of Jordan is the unemployment figure of 14 percent, up from 13.1 percent in the previous year. These are official figures, and the actual unemployment figures are likely higher. Furthermore, the greater the number of "cheap" Syrian workers who enter the expanding "gray" job market, the more the official figures will deteriorate. Within a short time, foreign workers, such as the Egyptians, will be pushed out of the labor market, and they will be followed by the Jordanian workers themselves. Even today, the unemployment rate among those with a university education, 20.6 percent, is considerably higher than the national average. This stands to only get worse.

The oil-producing Arab states have played an important role in reducing the pressures on the Jordanian economy, as have grants, donations, and loans on favorable terms from other sources, such as the European Union and the United States. Indeed, the sum total of the grants in the first seven months of 2013 rose by 20 percent over the same period in 2012 and came to nearly \$5 billion.<sup>4</sup>

## **Challenges and Outside Risks**

In addition to the challenges posed by the immigration to Jordan and the halt in the supply of natural gas from Egypt to Jordan, the Hashemite Kingdom faces other risks that stem from geopolitical changes underway in the Middle East. The internal struggle in Syria has attracted thousands of activists from extremist Islamic organizations to join in the battles against

the regime of Bashar al-Assad. At this stage they are completely engrossed in this struggle, but once it ends they will presumably not be in a hurry to leave Syria, especially since the central government in Damascus, no matter what its character, will be too enervated to attempt to remove them. They will turn Syria into a field for deployment for operations in geographically close arenas. The internal struggle in Syria is already spilling over into Lebanon, and is liable to expand to Jordan as well. Presumably among the hundreds of thousands of refugees who have reached Jordan are hostile and subversive elements that would be active in the future against the Hashemite regime.

Furthermore, failure of the current round of talks between Israel and the Palestinians and their conclusion without a settlement, even partial, could increase the friction in the Israeli-Palestinian arena. In the past, heightened tension between Israel and the Palestinians has cooled bilateral relations between Jordan and Israel. Paradoxically, a comprehensive agreement between Israel and the Palestinians that includes understandings on two core issues, Jerusalem and the return of Palestinian refugees, would encounter internal Palestinian criticism and therefore would not necessarily make the situation easier for the regime in Amman.

Tension in the Persian Gulf between Sunnis and Shiites in the Arabian Peninsula, whether as a result of the failure of the Iranian nuclear program negotiations between Iran and the major powers, or as a result of gross violations of the agreement already reached, could cause the cessation or the postponement of financial aid to Jordan, and therefore exacerbate the economic situation.

### **The Israeli-Jordanian Relationship**

The familiar pattern of Israel-Jordan bilateral relations over the past decades – even before there was a signed peace agreement – did not change in 2013, and it will likely not change in the coming years. On the one hand, the Jordanian regime continues to criticize Israel publicly for its policy toward the Palestinians, the settlements in the West Bank, and especially the construction plans in Jerusalem connected to the Temple Mount, such as the Mughrabi Gate and the ascent to the Temple Mount for Jews wishing to pray at the site.

On the other hand, the two governments continue to maintain an important dialogue on security issues. The Jordanian distress on issues of infrastructure, especially water and energy, increases Israel's importance in finding stable solutions for these problems. Indeed, an important dialogue on these topics is underway between the relevant authorities with the goal of helping Jordan overcome these problems. The opening of the route to the port of Haifa for the transport of Jordanian exports to Europe and the United States as a substitute for the paralyzed Syrian ports is an important Israeli contribution to Jordan's economic stability. The various discussions between Israel and Jordan on increasing cooperation between the two countries have great strategic importance from Israel's point of view. Implementation of the various programs will create a new regional infrastructure map and a map of combined interests that will contribute a great deal toward increasing regional stability.

Israel's willingness to promote these moves, even if it means absorbing some of the costs involved in their implementation, is highly important. It is essential that the government of Israel and/or the cabinet hold an in-depth, comprehensive strategic discussion on the various facets of relations with Jordan, as well as relations with other potential partners in the region.

Such a discussion is necessary in any case in light of Jordan's membership in the UN Security Council for two years, starting in 2014. As one of the main bodies in the international system, the Security Council will deal in the coming years with basic issues of Israel's security and strategic position, including Israel's relations with its neighbors, the Israeli-Palestinian conflict, and the Iranian nuclear issue. On each of these issues, it can be expected that Jordan will not endorse Israel's positions in the Security Council, and thus increased friction between the two countries is likely. Therefore, it would be desirable for the two to create a mechanism for dialogue in order to address the various issues with the goal of minimizing the damage to the bilateral relations. Both Israel and Jordan will need vast reserves of tolerance, patience, and the ability to look beyond the next two years when Jordan's term in the Security Council ends.

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## Notes

- 1 IMF Press Release 13/435, “IMF Executive Board Completes Second Review under the Stand-By Arrangement with Jordan,” November 8, 2013, [www.imf.org/external/np/sec/pr/2013/pr13435.htm](http://www.imf.org/external/np/sec/pr/2013/pr13435.htm).
- 2 Central Bank of Jordan, “Recent Monetary & Economic Developments in Jordan,” September 2013.
- 3 Deauville Partnership Ministerial Meeting, October 10, 2013, pp. 11-12, [www.imf.org/external/np/pp/eng/2013/101013.pdf](http://www.imf.org/external/np/pp/eng/2013/101013.pdf).
- 4 Report by the Central Bank of Jordan, p. 25.