

# Jordan: An Uncertain Stability

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The year 2019 was a relatively quiet one for Jordan, after the protests of 2018. However, instability persists in the government, which has been reshuffled four times in just over a year. The austerity measures that have been implemented under the agreement with the International Monetary Fund (IMF) since 2016 have had positive results, although at a high social cost. This relative calm was cut short in 2020 by the coronavirus pandemic. Jordan reacted quickly and decisively, successfully heading off the worst health consequences. However, the economic effects of the virus in a country with high unemployment and economic dependence on international aid remain to be seen.

## Political Impasse and Social Unrest

Whilst 2018 was a year of change in Jordan, after the protests that brought down the government of Hani al-Mulki and ushered in that of Omar Razzaz, 2019 was somewhat calmer. Although the protests waned in intensity at the start of the year, social unrest due to the economic situation has continued in different ways.

The clearest example of this unrest was the strike by public-school teachers at the start of the school year. The strike, which lasted a month, interrupted the studies of more than one and a half million schoolchildren, until, finally, the union and the government reached an agreement to increase salaries by between 35% and 60% beginning in 2020. The images of thousands of teachers confronting security

forces eclipsed the protests in Ramtha, on the border with Syria, over stricter inspection procedures for the vehicles of “sailors”<sup>1</sup> (Roya News, 2019) and new legislation to combat smuggling, an activity that provides a lifeline for many residents in the region, one of the hardest hit since the outbreak of the conflict in Syria in 2011. As a result of these events, nine ministers were replaced in the fourth reshuffling of the government since Razzaz took office in June 2018.

Politically, the most controversial issue was the approval of a gas deal with Israel. In July 2019, MP Saleh al-Armouti disclosed the full text of the agreement at a press conference, information that had been kept secret since the start of negotiations in 2016. It provides for the purchase of 300 billion Btu (British Thermal Units) of gas from Israel over a period of 15 years at a total cost of \$10 billion (Bustani, 2019). The agreement, which took effect in January 2020 despite not having been ratified by the Jordanian Parliament, has been met with massive protests and the Upper House unanimously passed a bill to ban gas imports, although there is little chance the government will pass it.

## Preparing to Leave Austerity Behind

After years of austerity, 2019 gave Jordanians a respite, with no new subsidy cuts. Several economic stimulus packages were announced throughout the year, including measures such as increases in public-sector wages and salaries, consumption and investment stimuli, a reduction in sales tax, improvements in the quality of public services, and financial and administrative reforms. Additionally,

<sup>1</sup>“Sailors” is a term used to describe the drivers of vehicles carrying passengers and goods from Jordan to other countries, in this case, Syria. The name comes from the Arabic word *bahara*.

donors at the international conference held in London in February pledged grants and loans to the tune of \$4.9 billion to promote growth, jobs and investment in the kingdom.

The most important economic sector continues to be tourism, which accounts for 12.5% of GDP and employs more than 50,000 people. In 2019, Petra exceeded one million visitors, a milestone facilitated by the launch of flights operated by Ryanair, Easyjet and Transavia, which has greatly reduced fares.

### For the first time in four years, the 2020 budgets moved away from austerity policies

In accordance with the indicators stipulated by the IMF, structural reforms were carried out related to the regulation of financial transactions, insolvency and digital payments, including new e-commerce regulations to crack down on VAT fraud. Other indicators that improved were the balance of payments and the ease of doing business. The IMF rewarded these measures with a new four-year arrangement under the Extended Fund Facility worth \$1.3 billion. However, the country continues to face challenges, such as the high public deficit (which stands at 96.6% of GDP) and high unemployment, which exceeded 19% of the active population and affects almost half of all young people. Nor have measures been taken to reduce the cost of living, despite rising prices, which has hardly improved people's living conditions. For the first time in four years, the 2020 budgets moved away from austerity policies, increasing public spending to \$13.8 billion and not introducing any new tax hikes. To finance this 8.5% increase in public spending, the government was relying on a projected 10.4% increase in domestic revenue, due exclusively to tax revenue. However, the dependence on unstable sources of income and the international economic situation, which is not conducive to foreign investment, cast doubt on the positive growth forecasts.

### A Diplomatic Balancing Act in a Complex Region

If there is one feature that defines Jordan's foreign policy, it is the need to engage in a constant balancing

act. Due to the country's geographical position, surrounded by conflicts and dependent on international aid, the Jordanian government must defend its national interests without damaging its international alliances. In this regard, 2019 posed several challenges.

The first was the US "Deal of the Century," a proposal that, from the start, was perceived as contrary to Jordanian interests. These suspicions were confirmed when the full proposal was announced in January 2020: the plan leaves the establishment of a future Palestinian state to Israel. It is in keeping with other decisions taken by the Trump administration that Jordan considers contrary to its interests, such as the relocation of the US embassy to Jerusalem or the elimination of US funding for UNRWA. From the Jordanian point of view, the plan, whose individual implementation seems to be underway following the recent announcement of the annexation of parts of the West Bank by Israel, could turn Jordan into the new Palestinian state due to the massive influx of refugees and the destabilization of the West Bank and disastrous consequences it would have for security (Sawalha, 2020). Nevertheless, Jordan's enormous economic and military dependence on the US prevents it from voicing clear opposition to the agreement. At the same time, it must maintain its support for the Palestinian Authority and withstand the pressure of public opinion, which is calling for an end to the cooperation with Israel in strategic areas.

The agreement has not exactly helped improve relations with Israel either. The 25<sup>th</sup> anniversary of the Wadi Araba peace agreement was overshadowed by the diplomatic clash between the two countries over the detention without charges of two young Jordanians for more than two months. They were only released when Jordan recalled its ambassador from Tel Aviv. The relations between the two countries have increasingly deteriorated, especially during Benjamin Netanyahu's last term, due to the constant violations of the Haram al-Sharif status quo by Jewish fanatics and the non-renewal in 2018 of the annexes that allowed Israeli to use two tracts of land under Jordanian sovereignty (Silva Sánchez, 2019). Movements such as the US recognition of the illegal settlements and Netanyahu's threat to annex the Jordan Valley do not bode well for improved relations in the short term.

Relations with Syria have suffered ups and downs since the September 2018 re-opening of the

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Naser/Jaber border crossing and restoration of trade relations. However, issues such as the detention of Jordanian citizens, the presence of Iranian militias near the border and the uncertainty surrounding the return of Syrian refugees have prevented the two states from growing closer. Nevertheless, several steps have been taken towards the full restoration of diplomatic relations in an environment of growing recognition of the Assad regime by other Arab leaders.

Finally, the escalating tensions in the Persian Gulf between the US and Iran, culminating in the assassination of Qasem Soleimani, the head of the Islamic Revolutionary Guard Corps, put the entire region on alert, with leaders such as Abdullah II calling for calm on both sides. In contrast, Jordan and Qatar restored diplomatic ties in July, in yet another example of the diplomatic balancing act performed by the Hashemite kingdom, whose survival has and will continue to depend on being everyone's friend.

### The Veiled Terrorist Threat

The conflict in Syria poses the greatest security threat to Jordan due to lingering pockets under the control of ISIS and other groups, such as Hayat Tahrir al-Sham (HTS), that numerous Jordanian jihadists are known to have joined. The withdrawal of US troops from the Kurdish-controlled area in northern Syria in October allowed Turkey to launch Operation Peace Spring, which led to the displacement of hundreds of thousands of Kurds from their homes, the mutilation of the territory hitherto controlled by the Syrian Democratic Forces (SDF) and the release of hundreds of Islamic State prisoners under the control of the Kurdish YPG. This fact caused concern amongst the Jordanian authorities, aware of the existence of Jordanians amongst the prisoners and the threat that their possible entry into the country posed.

The US withdrawal also sent a negative message to its allies in the region. Hence the visit to Jordan by a bipartisan delegation from the US Congress, led by House Speaker Nancy Pelosi, on 20 October, in a gesture interpreted as a move to reaffirm the strategic partnership between the two countries.

In the domestic arena, the threat of possible attacks by sympathizers of jihadist groups remains real, as witnessed by the knife attack in November at the archaeological site of Jerash, north of Amman, in which eight people were wounded. The assailant was arrested at the scene of the crime, and, although he acted alone, his membership in a domestic cell such as the ones that have been dismantled by the security forces in recent years has not been ruled out.

### Uncertainty in the Wake of the Coronavirus

The coronavirus pandemic that has swept the planet has spared no country, including Jordan. The number of confirmed cases stands at 711 (05/26/20) and nine people have died from the virus. These figures are due to the swift and forceful response of the Jordanian authorities. With just 11 cases, the government passed the National Defence Act, which established a mandatory country-wide lockdown and empowered the army to enforce it. By 17 March, Jordan had halted all air traffic, closed all its borders and cancelled face-to-face education and all public events. The Jordanian measures were amongst the toughest in the world, establishing indefinite curfews and strictly limiting the population's mobility to prevent any type of crowd with the aim of lifting restrictions as soon as possible.

Whilst the health consequences may not have been as severe as in other countries, the economic ones will be. The year 2020 was on course to be a good one for Jordan, with growth forecasts of 2.4% and a reduction of public debt. The pandemic has dashed these hopes. Today there is speculation of debt in excess of 100% of GDP, negative growth of -3.7%, and rising unemployment. This means the expansive welfare policies planned for 2020 will be impossible to implement and the 2020 budget will come to nothing, given that the expected revenue depended almost entirely on tax revenue from the private sector. Almost 95% of this sector consists of SMEs, which

have been hit hard by the paralysis of consumption, which will affect the tax collection forecast (Al-Ajlouni, 2020).

The economic relief measures implemented by the government include postponement of the collection of sales tax until the end of the year, the introduction of price ceilings on essential goods, reducing private-sector contributions to social security, and setting up a privately funded emergency fund. Additionally, the Central Bank has pumped liquidity into banks by reducing the compulsory reserve ratio on deposits to afford customers flexibility in the repayment of loans (International Monetary Fund, 2020). But the working class and, in particular, day labourers remain unprotected. Many have lost their jobs and, even though almost all sectors of the economy had resumed activity by the end of April, the real impact of the crisis will not be known for months.

## Conclusion

The year 2019 was a year of transition for Jordan, from the social turbulence of 2018 to the uncertainty of 2020. The positive economic outlook was cut short by the impact of the coronavirus pandemic, which will reduce economic growth and cause the public debt and deficit to balloon. At the same time, it will impact the purchasing power of the population, which could spark new protests in a few months if the recovery does not affect everyone equally. This is despite the fact that the leadership of the monarchy and government has been strengthened by their handling of the pandemic. The crisis will also have a political impact. It is not yet known whether the parliamentary elections scheduled for September will be held normally, although this does not seem to concern the people, whose hold a negative opinion of Parliament's role in managing the crisis. This could affect the role of Parliament in Jordanian politics itself, as there was already a growing tendency, prior to the crisis, to believe that "the coercive apparatus can be more trusted to 'take care of business' than the civil state," a belief that has informed the development of a growing "neo-tribal right-wing" populism (Hartnett, Al-Natour and Al-Ajlouni, 2020). At the international level, Jordan will be paying very close attention to

domestic developments in Israel and the US, on which the continuity or shelving of the "Deal of the Century" depends.

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