

# Jordan

<b>Status Index</b> (Democracy: 4.10 / Market economy: 6.14) <b>5.12</b>		<b>Management Index</b> <b>4.68</b>	
<b>HDI</b>	0.753	<b>Population</b>	5.4 mn
<b>GDP per capita (\$, PPP)</b>	4,320	<b>Population growth<sup>1</sup></b>	3.7 %
<b>Unemployment rate</b>	-	<b>Women in Parliament</b>	7.9 %
<b>UN Education Index</b>	0.86	<b>Poverty<sup>2</sup></b>	7.4 %
		<b>Gini Index</b>	36.4 (1997)
Source: UNDP: Human Development Report 2005. Figures for 2003 unless otherwise indicated. <sup>1</sup> Annual growth between 1975 and 2003. <sup>2</sup> Population living below \$2 a day (1990- 2003).			

## A. Executive summary

Political and economic change in Jordan cannot escape the logic of the geographical location of the country. As both a buffer state in politics and a transit country in economics, Jordan's trajectory is determined by factors outside the country. Awareness of foreign policy issues combined with an exploitation of the rentier situation on the margins of the petroleum economies of the Arab Peninsula have contributed to the process of state building largely achieved during the long rule of King Hussein.

Despite economic – and to a lesser degree, political – reform in the late 1980s, a real change in strategic priorities did not occur until King Abdullah assumed power in 1999. Although Jordan remains dependent on foreign political and financial support, attempts have been made to render more dynamic the domestic potential of the country. Since 2003, the economic integration of Jordan into the world economy has continued, in particular after a set of rules and regulations were put in place in the period from 2000 until 2002. Under stable macroeconomic conditions, the government opted for measures that have exposed Jordan to the standards of international business parameters. With economic liberalization basically accomplished at the regulatory level, the Jordanian economy now rests on a foundation that is conducive to progress.

In its focus on economic development, the government has addressed the entire range of social development issues. A high degree of attention has been paid to all structural factors that are bound to have a long-term impact on human development, which is clearly seen as the only substantial basis that may one day replace Jordan's reliance on rents of different kinds. It is a key characteristic of the past two years that concern for social aspects of development have been kept on a technical rather than a political level. Although numerous non-state actors contribute to the debate on societal challenges, the entire process is steered by the highest levels of government. Expressions of democratic aspirations are permitted at times, but are usually kept within certain boundaries. There are almost no

restrictions on debates about issues such as unemployment, distribution of wealth, poverty, education challenges, gender issues and the like. Political opposition is permitted as long as it shares the key concerns of social development of the country. Political opposition is marginalized – and at times oppressed – when it comes to debating the direction of Jordanian politics in general, notably in the field of foreign policy, which remains the domain of the monarchy.

## **B. History and characteristics of transformation**

Democratic and economic reforms in Jordan were introduced in the second half of the 1980s when the decline in oil prices of 1986 forced the government to review its heavy dependency on the petroleum producing economies of the Persian Gulf. Jordanian exports to the oil monarchies decreased as did financial transfers by Jordanian expatriates and Arab economic assistance. The result of this was twofold: first, the state needed international support for structural adjustment programs; second, it felt obliged to turn toward more inclusive political approaches in order to generate support for a more comprehensive re-orientation. The latter was reinforced by the situation in the West Bank after 1987 when an uprising there made clear that Jordanian aspirations to recover the areas occupied by Israel in 1967 were increasingly unrealistic. King Hussein's decision not to pursue Jordan's claims but rather to underline the legitimacy of the Palestine Liberation Organization paved the way for elections in Jordan in 1989, the first in more than three decades.

Reforms in economic and political areas followed, the former being the continuation of structural adjustment programs and the latter addressing media and political organizations.

The Kuwait war of 1990-1991 then changed the regional parameters for Jordan, as it had to maneuver away from a de facto pro-Iraqi position in view of Palestinian sympathies for Saddam Hussein at that time toward a position that would allow Amman to benefit from the situation after the liberation of Kuwait. The Madrid Peace Conference of 1991 did not achieve a comprehensive settlement of the Arab-Israeli conflict, but it did lead to the Oslo Declaration of Principles of 1993, under which Israel and the Palestine Liberation Organization agreed to engage in a peace process. Jordan, taken by surprise by this unilateral step on the part of the Palestinians, no longer felt obliged to link its peace agreement with Israel to a global settlement of the dispute. The peace treaty between Amman and Tel Aviv in 1994 therefore constituted a turning point in Jordan's orientation. Economically, peace was supposed to bring dividends, which did materialize in the form of financial aid, notably from the United States. Politically, the democratization initiated in 1989 came to center around the question whether the peace agreement was politically acceptable. With the Israeli-Palestinian conflict remaining unresolved years after the initial rapprochement, the strategic decision to make peace with Israel started to undermine the readiness of the government to

pursue the establishment of democracy. Although parliament did ratify the peace treaty, suspicions have never completely dissolved. In addition, until King Hussein's death, the situation in Jordan was marked by a growing dependency on the international community for economic support and by restrictions on democratic freedoms.

When he assumed power, King Abdullah found that greater attention needed to be paid to both the economic and political situation. While continuing to make use of foreign resources, Jordan opted for economic reforms that went beyond the requirements of the initial structural adjustment programs of the 1980s. Developing the domestic economic potential became a policy priority and was considered as important as securing international support and related financial benefits. Although there has been continuity in terms of personnel involved in political decision-making and execution, policies have been gradually formulated by a new generation of technocrats who have tried to dissociate Jordan's development challenges from the hitherto dominant foreign policy issues related to the Arab-Israeli conflict.

## **C. Assessment**

### **1. Democracy**

#### **1.1. Stateness**

State institutions in Jordan have a strong monopoly on the use of force throughout the country. Non-state actors from among the tribes are occasionally granted some degree of authority in certain areas, insofar as they assume the role of intermediary power to the state. Unrest in Maan in November 2002 did not subsequently develop into a systematic weakening of the state during the difficult circumstances resulting from the Iraq war in spring 2003. Rather, a consolidation of state power has taken place.

Tribal structures do not constitute a power challenging the state, but they remain an essential feature of the political system of Jordan. Civil rights are not legally denied to any particular groups within the population, but a social clustering exists, in which Trans-Jordanians enjoy the image of being authentic Jordanians while Jordanians of Palestinian origins are considered a separate portion of the population. This distinction remains the basis for privileging Trans-Jordanians, as well as Circassians and Chechens who emigrated from the Caucasus in the 19th century, in terms of access to state administration and political influence. The substantial workforce from East Asia is considered temporary, they are guest workers and they have no prospects of acquiring citizenship. Women are denied certain rights, such as passing on citizenship to their children when their father is non-Jordanian; this situation has not changed despite widely publicized attempts

toward reform in 2003 and 2004. Christians continue to play an important and at times over privileged role in state structures.

Despite the fact that Islam is the state religion of Jordan, interference of religious dogma is limited to only some areas. Principles of Islamic law are in force in areas of personal status – such as marriage, divorce, inheritance, child custody etc. – and sometimes create imbalances, insofar as traditional interpretations of Islamic law constitute disadvantages to women. The monarch's descent from the prophet Muhammad constitutes one – but not the exclusive and probably not even the decisive – element of his legitimacy.

The state is present in institutions across the entire territory of Jordan, and administrative, political, and legal decisions are widely enforced. In some areas, this is weakened by inefficiencies, and a plan to decentralize and empower regions is being set up to overcome shortcomings.

## **1.2. Political participation**

National parliamentary elections scheduled for autumn 2001 were postponed because of political tensions in Jordan, which reflected the situation between Palestinians and Israelis in the West Bank and Gaza. The interim period without a parliament, during which the monarch was entitled to pass temporary laws without further approval, ended with elections on June 17, 2003. Reflecting patterns of tribal and clan affiliation in the electoral law and the configuration of constituencies, the 110-seat parliament is held by loyalists. Quotas have been introduced for women (six seats), Caucasians (three seats), and Christians (nine seats), giving the latter a higher proportion of representation than their actual share in the population. Elections, however, do not determine the question of political rule.

Because ultimate decision-making remains with the absolute monarch, the prime minister and other ministers depend on the king rather than on the exercise of democratic procedures, which often demonstrate some degree of transparency nevertheless.

Political parties and civic groups can only marginally associate and assemble. Their existence owes simply to historic continuity and their development is hampered by administrative rules and political regulations. Processes of political liberalization have not yet promoted the development of these entities into effective channels of political communication. The most important current opposition party, Islamic Action Front, does not really challenge the system and, together with numerous non-governmental organizations (NGOs), appears to operate with regime support. Attempts by members of professional associations to turn these bodies into political platforms beyond their competencies have been thwarted by the government.

The use of the mass media in Jordan continued to undergo major changes during the past two years. However, dynamic developments have mainly been linked to transnational direct satellite broadcasting, where issues that cannot be freely debated locally are brought into political discourse via satellite dishes. In this sense, there is a high degree of freedom insofar as the most important transnational communication channels are out of reach to a government, which by definition controls only its own territory. Jordanian local media continue to push for greater freedoms and can be relatively open in their criticism of the government, as long as the monarchic principle as such is not questioned.

### **1.3. Rule of law**

The separation of powers is a principle of governance enshrined in the constitution but only marginally put into practice, particularly between the executive and legislative branches. The latter knows its limits and does not openly challenge the former. The legislature's power is weakened by definition because the monarch is the last reference and above all law according to the constitution. In particular, the monarch can suspend parliament according to Article 34, and directly assume powers as a legislator based on Articles 73 and 94.

The judiciary is institutionally in a stronger position than the legislature vis-à-vis the executive branch, most likely because it continues to exist even in times when parliament is suspended. However, the judiciary remains subject to political control in certain areas and suffers from managerial deficits, an insufficient degree of professionalism, and from problems related to the implementation of decisions.

The abuse or exploitation of offices is sometimes highly publicized, either directly by state institutions or indirectly by the media. Prosecution, however, is carried out less regularly on a legal level and leads instead to political sanctioning. Institutions that were set up in order to combat corruption did not achieve adequate public profiling, and their impact is therefore considered marginal.

Civil liberties are fully recognized in principle, but are not guaranteed in practice when redress is sought in court. Jordan continues to experience the dichotomy of liberty versus tolerance; the former can be obtained through an institutionalized system of rights in the form of laws, the latter is granted by rulers but can be withheld or withdrawn at any time. There are no massive violations of human or civil rights in Jordan, but in politically sensitive areas, legal instruments do not provide appropriate protection.

### **1.4. Stability of democratic institutions**

The primary democratic institution, Parliament, performs within very narrow parameters, which seem to be accepted as fact. The major obstacle to better

performance is the lack of competencies linked exclusively to parliament; political decisions are simply sanctioned by parliament rather than being initiated, prepared, and implemented. In contrast, the executive branch performs relatively well, with public administration capable of implementing decisions at a pace and degree that is above the regional average.

Given the fact that parliament is not expected to be the main forum of political decision-making, acceptance or support of this democratic institution by politically relevant actors is largely a given but not decisive issue. Integration takes place far more efficiently through patrimonial or clientele-ist networks than through formally-established channels of political communication.

### **1.5. Political and social integration**

Parties in Jordan do exist in principle, but their political role has not been changed by either the June 2003 elections or subsequent parliamentary activity. Even among their small membership, some do not support the development of parties toward the establishment of a meaningful party system. On ideological issues polarization does exist, but not translate into party platforms. On practical matters, parties are not considered vehicles of advancement. While the most structured opposition party the Islamic Action Front is considered strong on ideological matters, even its supporters do not consider it an effective tool in a society where personal relations dominate.

Given the fact that political parties do not constitute primary channels of political communication, societal interests in Jordan are addressed through networks of personal contacts and, albeit to a lesser degree, through professional associations. Attempts by the latter to develop political platforms have been undermined by the government. Political communication therefore takes place through networks of personal contacts, which are partly related to clans and tribes. A growing number of people remain outside these channels, which represents a gap in the mediation between society and state.

Consent to democracy is moderately high, and encompasses all strata of Jordanian society. The problem is that the constitutional framework itself shows a lesser degree of democratic tendency.

Civic organizations exist largely autonomously from the society they are supposed to represent. Cross-societal alliances, even those promoting specific goals or demands, are rare. Non-governmental organizations tend to be dominated by urban segments of the population that are part of the upper-medium income level. In many cases, their closeness to foreign donors from Western countries creates suspicion and poses socio-cultural barriers to effective networking of non-governmental organizations across different layers of Jordanian society.

## **2. Market economy**

### **2.1. Level of socioeconomic development**

Religious and ethnic markers are not criteria for social exclusion in Jordan, though gender issues are of greater importance in some areas. The UNDP Human Poverty Index places Jordan at 7.4%, down from 9.8% in 1997. The share of the population living below \$1 per day remains below 2%, but poverty rises more than fivefold to 11.7% when measured against the national poverty line. Inequality in income and consumption is measured by the Gini index as 36.4%, with the share of the poorest 20% standing at 7.6%, while income or consumption of the richest 20% reach 44.4%. Literacy rates are very high and rising constantly, because of schooling in the younger generations, who comprise a large share of the total population. The 15-24 year old age group can be considered fully literate, therefore fulfilling a basic condition for social inclusion.

### **2.2. Organization of the market and competition**

Market competition does exist in most spheres of economic activity; the institutional framework for this was established in the early years of the monarch's rule. However, economic wealth and political power cannot be completely dissociated in Jordan.

The formation of monopolies and oligopolies is regulated, but not always in a consistent manner. This also applies to the impact of foreign trade. Although small, the Jordanian market has developed over the past two years along very competitive lines.

Jordan has rapidly integrated into the world economy, primarily through its membership in the World Trade Organization and its free trade agreements with the United States and the European Union. Customs tariffs are being reduced as planned and state intervention in trade occurs only at strategic levels such as energy supply.

During the past two years, Jordan did not witness another banking scandal similar to the one that shook the sector in 2002. Basel Standards apply in an environment that has witnessed continued growth.

### **2.3. Stability of currency and prices**

Currency and price stability have been long-term strategic goals. The rise of the Euro led to debates in the media over whether to abandon the pegging of the Jordanian dinar to the U.S. dollar, but did not result in any reorientation, primarily to maintain long-term confidence in the local currency. The central bank operates

practically and according to professional standards but is not legally independent of possible government interference.

Macroeconomic stability is also an overarching strategic goal. Despite the rise of the Euro, no negative indications were given to European creditors in order to maintain a high level of confidence in the Jordanian capacity to deliver on debts. Regarding fiscal policies, the government started feeling the impact of decreased custom tariffs, but was able to compensate for this lack of income over the past two years by improving taxation.

#### **2.4. Private property**

Private property is well defined and protected, and no serious limitations exist regarding its acquisition, benefits, use or sale. In the area of real estate, the acquisition of private property by foreigners is based on the principle of reciprocity, and it requires the consent of the Prime Minister. During the past two years (2003-2005), the Jordanian government has been very liberal regarding Iraqis buying property in Jordan on a large scale.

Private companies form the structural backbone of the Jordanian economy, with companies owned by the public sector consistently being privatized. The fixed line monopoly of Jordan Telecom was abolished in early 2005, thus opening a classic area of monopoly to the private sector and sending out strong signals for its promotion, despite some activities remaining controlled by the state.

#### **2.5. Welfare regime**

Social welfare remains linked to family solidarity in a broader sense. However, the erosion of social networks underlines the need for more state intervention, as reform programs inevitably lead to social imbalances that the market cannot regulate. The national Jordan Poverty Alleviation Strategy targets approximately 15% of the population (more than those below the poverty line) by concentrating on reform of the National Aid Fund that offers general cash assistance, cash assistance for the handicapped, professional rehabilitation support, wheat subsidies, health insurances, and other benefits. Above the level of poverty alleviation, the Social Security Corporation expanded its base among employees. For the public sector, the Civil Health Insurance Program and the Civil Pension Program constitute the basic welfare scheme, with corresponding institutions (Royal Medical Services, Military Pension Program) for the military.

Equality of opportunities exists insofar as educational prerequisites are met. However, quality of education has gradually become associated with the private sector, with public schooling losing attraction, quality, and therefore its capacity

to serve as a motor of social mobility. Women do have significant access to higher education but do not necessarily translate their education into cultural practice.

## **2.6. Economic performance**

The economy of Jordan returned to dynamic levels in 2004, with GDP growth over 7% and per capita GDP growth slightly below 3%. Unemployment is officially measured as slightly over 10% but is estimated to be well above 15% by observers.

The trade balance has experienced both positive and negative developments. Exchange with the United States has increased and, through exports from the Qualifying Industrial Zones in Jordan, achieved a positive balance. Otherwise, imports (67% of the GDP) far exceed exports (46% of the GDP) to the rest of the world. Outstanding external public debt decreased in 2004 to around 70% of the GDP, remaining high but consolidating quickly.

## **2.7. Sustainability**

The Ministry of Environment, created in December 2002, took over various tasks from previous government agencies and developed activities in areas that do not yet constitute a coherent approach to ecological issues, particularly where water use and waste recycling are concerned.

Contrasting policy priorities exist; public expenditure on education in 1999-2001 amounted to 4.6% of the GDP, while military expenditure in 2002 constituted 8.4% of the GDP. The infrastructure for research and development remains meager, as the number of private universities has increased along commercial lines that do not necessarily reflect a parallel strengthening of intellectual production capacities. Caution is necessary regarding primary and secondary education, as improvements achieved in the scope of funding have not qualitatively broken new ground.

## **3. Management**

### **3.1. Level of difficulty**

Structural constraints on the Jordanian government to promoting change toward market economy and democracy are rather moderate. State institutions were in place when the reform process was begun at the end of the 1980s, and were subsequently used in its service. Furthermore, political actors had a thorough understanding of the situation and were not surprised by unforeseen obstacles. The succession from King Hussein to King Abdullah in 1999 constituted a step

forward in this respect, as a shift in policy priorities from the diplomatic-political sphere toward the economy took place. A subsequent consolidation of power was aimed at integrating actors within the administration into proactive reform policies.

Civil society in its internationally accepted form is quantitatively strong but qualitatively weak. However, previous experiences of a more liberal political life in Jordan remain in living memory and therefore constitute a possible source of strength. In addition to this, Jordanian actors from outside the governmental sphere have become increasingly connected to socially and politically more dynamic countries of the Arab world and Europe in particular.

### Profile of the Political System

Regime type:	<i>Autocracy</i>	Constraints to executive authority:	<i>1</i>
System of government:	<i>Monarchy</i>	Latest parliamentary election:	<i>17.06.2003</i>
Prime Minister:	<i>Faisal al-Fayez</i>	Cabinet duration:	<i>10/03-04/05</i>
Prime Minister:	<i>Adrian Badran</i>	Cabinet duration:	<i>04/05-present</i>
		Number of ministries:	<i>28</i>
		Number of ministers:	<i>28</i>
<p>Source: BTI team, based upon information by country analysts, situation in July 2005. Constraints to executive authority (1-6 max.) measures the institutional constraints posed by a federal or decentralized state, a second parliamentary chamber, referenda, constitutional and judicial review and the rigidity of the constitution. Number of ministries/ministers denotes the situation on 1 January 2005.</p>			

Ethnic markers (including religious factors) as well as social conflicts do exist in Jordan, but they are far from being confrontational. There are at present no political actors with the personal and organizational capacities to engender larger-scale protest.

### 3.2. Steering capability

Until his death in 1999, King Hussein was clearly more occupied with securing statehood vis-à-vis the outside environment and maintaining the monarchic principle on the domestic level. Changes took place when King Abdullah succeeded his father and established a strategic discourse on democracy and a positive attitude among Jordanians toward globalization. These discourses were supported by measures in both areas, though the economic measures were carried out with more commitment than the political ones. While the monarch initially appeared to be dominated by the system, there can be no doubt that he has come to dominate the state institutions, particularly over the last two years.

Bearing in mind these different levels of commitment in the political and economic spheres, the government does have the capacity to carry out measures quite effectively. However, political reform has turned out to be more difficult to

achieve than economic liberalization over the course of the past years. The risks of political liberalization were perceived to be greater than those faced when limiting this process to the economic sphere only. Therefore, the capacity to provide leadership in a more open and less autocratic manner has yet to be realized in practice.

Due to frequent ministerial changes and the lack of political personnel with an independent power base, leaders may be able and willing to learn, but their experience and learning processes are often underexploited. The focus on the monarchic principle makes dissent among leading technocrats a rather rare feature; change, if any, is initiated instead by the monarch and a small circle of advisors.

### **3.3. Resource efficiency**

In terms of personnel, the government uses resources efficiently, but privileges the Trans-Jordanian part of the population over other segments. Furthermore, competitive recruitment procedures are underdeveloped; often the most connected and not the most qualified person is assigned a specific task or mission. On a financial level, funds are used relatively efficiently. Strong initiatives in the domain of e-government have helped make the system more transparent and information – a crucial asset in public administration – more easily available.

Conflicting objectives exist, not only in terms of economic reform and political change, but also with respect to Jordan's relations with the outside world. The country's position between Israel and Palestine to the West and Iraq to the East necessitates that Jordan play a particular role within the international system, on which it depends itself. Some coherence in policy objectives has been achieved in recent years by trying to keep economic prospects and promises against the background of some popular opposition to Jordan's role in the international system.

Unlike other countries in the region, corruption in Jordan is not found at the level of daily operations, but seems to be restricted to more senior circles. The Corruption Perceptions Index by Transparency International placed Jordan at 4.6 in 2000 (based on five surveys), an improvement in its perceived degree of corruption from 5.3 (based on nine surveys). Efficient steering by the government seems to be capable of improving the situation at the clerical level, while preventing corruption in the more senior echelons.

### **3.4. Consensus-building**

Political and economic actors widely agree on democracy and market economy as long-term aims. However, segments of the politically engaged public disagree on

the speed and scope of economic reforms, while segments of the economically influential class see problems in easing political constraints prematurely. Government policy is therefore considered a compromise by both segments, although neither has a hand in its formulation, as channels of political communication remain largely closed; the situation can best be described as a tacit agreement.

Reformers do not constitute a politically identifiable group able to challenge anti-democratic veto actors. In fact, it is difficult to establish who would be considered such an actor; some segments of the population would identify the monarch as the primary barrier to democratic change (apart from the economic reform), while others would label Islamists as anti-democratic. The lack of political communication channels leaves this question unresolved. For the government, ruling has become an issue of technocratic professionalism that does not necessarily compel rulers to make attempts at consensus-building.

The state and society in Jordan are aware of the cleavages that divide society. These divisions do not arise over certain political platforms but are ethnic in character, where markers of ethnicity can differ from one group to another. Therefore, there is no given policy issue around which irreconcilable ethnic, social or other conflicts would arise in advance.

The leadership tries to promote self-help charitable work and associations as long as they remain apolitical and concentrate on issues of social development instead. However, due to a large donor presence in the country, this type of social capital is propagated more often by foreign institutions with a focus on various community services. Social capital in the region as a whole is generally linked to authority, power and wealth rather than interpersonal trust.

Participation is a key element in political decision-making at its various steps in Jordan. The process is seen less as an antagonistic one than consensus-based. The channels used to reach consensus are more often social and academic; demands are usually rejected, while suggestions are welcomed. In addition to this, the international dimension of civil society plays an important role in Jordan, as numerous players from outside the country and the region possess the social capital necessary to influence the political process.

The issue of injustices has not been brought up for a public debate yet. This could address some of the complex relations between Trans-Jordanians and Palestinians, starting with the build-up of Palestinian militias on the East Bank and the dismantling of the Palestine Liberation Organization in Jordan starting in 1970.

### **3.5. International cooperation**

In the political and even more so in the economic sphere, Jordan has traditionally made use of international aid for its domestic policy agenda. The establishment of a free trade area with the United States has led to dramatic increases of Jordanian exports originating in the Qualifying Industrial Zones and proven to be a source of economic growth. Likewise, Jordan's association agreement with the European Union must be considered the most successful one among Arab countries, with utilization levels much higher than in other countries participating in the Barcelona Process.

Until the start of the Iraq War in spring 2003, Jordan occasionally found itself in a doubtful position vis-à-vis the international community because of its dealings with Saddam Hussein's regime in Iraq. Jordan's exclusive dependency on Iraqi oil, and state-sponsored trade schemes with Baghdad that were intended to help Jordanian exporters regain the Iraqi market were both features of a relationship that developed out of the formally neutral but in practice Iraq-friendly Jordanian attitude that followed the occupation of Kuwait in 1990. The unacknowledged but clear support that Jordan extended to the coalition led by the United States has unequivocally restored Jordan's place within the international system.

Similarly, Jordan in past years tried to re-integrate into its regional setting, both to satisfy the expectations of the international system but also to promote its own initiatives. Over the past two years, relations with the Arab Gulf states have continuously improved. The same is true for Iraq, where a renversement des alliances has taken place. Relations with Israel remain difficult in public but substantial in content, even if diplomatic relations were formally downgraded by calling back the Jordanian ambassador for consultations. The only area where relations have stagnated are with Syria, where mounting pressure by the international system have reinforced the distance that had already developed between Bashar Al-Asad and King Abdullah, despite earlier attempts to revive bilateral relations.

## **4. Trend of development**

### **4.1. Democratic development**

Democratic reform continued to be regarded with only secondary importance throughout 2003 and 2004, despite events that may suggest the opposite. While stateness has remained stable at a rather high level, political participation was not increased by national elections; voter participation of roughly 60% indicated the polling was not considered a political exercise of great importance for the future of the country. Given the regional constraints or regional excuses (depending on the perspective of the observer) of the Iraq war, anything more promising than widely pre-orchestrated elections would have been imaginable.

Institutionally speaking, democracy regained ground simply because the lower house of parliament was reconstituted, after having been suspended for almost two years. Reporting on parliamentary work has been regular, even though the work itself has not produced spectacular news items. Furthermore, Jordanian lawmakers have been able to re-integrate into international parliamentary circuits, which may have some effect on the political culture in the future. Some improvements have been achieved in social integration, as poverty alleviation strategies have been strengthened and education has received more attention, particularly in the wake of the Arab Human Development Report of 2003. Politically, however, Jordan continues to lack channels of political communication with regime-challenging currents represented by the Islamic Action Front and other Islamist circles. While integration mechanisms have improved for those who are not considered in fundamental opposition to the government, those who are subject to sharp regime criticism have not adequately been accommodated.

#### **4.2. Market economy development**

In terms of human development indicators, Jordan's economic situation has improved considerably, from an HDI of 0.707 in 1995 to an HDI of 0.750 in 2002.

The institutional framework developed further toward market-friendly parameters, along broader lines that accompanied Jordan's integration into the global economy. The dissolution of the fixed line monopoly of Jordan Telecom sent a strong message that economic reform was going beyond the cosmetic liberalization of other countries, which often affect only mobile telecommunications.

Over the past two years, qualitative changes in economic growth could be traced back to the success of the Qualifying Industrial Zones, from which quota- and customs-free exports to the United States skyrocketed. However, this numerical success did not translate into the development of Jordanian capacities; not only capital, machinery and raw material, but also skilled and semi-skilled labor was imported into Jordan, thus reducing the chance to turn the Qualifying Industrial Zones into employment machinery for Jordanians. In terms of quantitative analysis, Jordan's robust growth of over 4% at the beginning of the decade unsurprisingly slowed to slightly over 3% before reaching – equally unsurprisingly – a record level of over 7% in 2004. Here again, politics cannot be completely separated from economics; while Jordan did suffer the first repercussions of the Iraq War in spring 2003, it quickly managed to benefit from new challenges in the region to become a major broker in supplies, logistics, and outposts for Iraq-related business.

**Development of macroeconomic fundamentals (2000-2004)**

	2000	2001	2002	2003	2004
Growth of GDP in %	4.1	4.9	4.8	3.3	7.4 (a)
Export growth in %	3.8	20.5	21.0	8.3	28.2 (a)
Import growth in %	23.7	6.0	3.0	11.1	41.5 (a)
Inflation in % (CPI)	0.7	1.8	1.8	2.3	3.4 (a)
Investment in % of GDP					
Tax Revenue in % of GDP					
Unemployment in %	13.7	14.7	15.3	14.5	12.5 (a)
Budget deficit in % of GDP	3.4	3.6	4.1	2.3	3.9 (b)
Current account balance in billion \$					

Source: Ministry of Planning and International Cooperation. (a) Figures for period January-September 2004. (b) Estimated.

**D. Strategic perspective**

While economic reform has continuously followed patterns of liberalism since King Abdullah took power, steps toward political openness have remained limited and at times contradictory. Economic transformation is embedded in a set of rules and institutions that will be difficult to undo. Securing mechanisms exist at the national and international level. With regard to economic reform, confidence in the capacity of the Jordanian government to manage change but also in its willingness to do so in a sustainable manner has grown. Jordan's strengthening ties to the international economy through free trade agreements with the United States and the European Union comes as a powerful additional reassurance, in particular to foreign economic actors with interests not only in Jordan, but also in the wider Middle East.

With crisis looming in both Syria and Lebanon, Jordan is set to benefit once more economically from instability in the surrounding region. In certain areas such as real estate, its location has made Jordan boom; transactions in this sector have increased by over 40% since the start of the Iraq war in March 2003. Apart from this, there are substantial advances in infrastructural upgrading, from transport to information and telecommunication technologies. There are good prospects that the Socioeconomic Transformation Plan, articulated after the launching of the "Jordan First" campaign, will take root.

The price for increasing the country's appeal at the regional level is the requirement that Jordan avoid political turmoil. In this respect, it is still believed that any real democratic change could open a Pandora's box. As is the case in other countries, notably in Tunisia, there is a kind of tacit agreement between economically influential private sector entrepreneurs, international actors and the Jordanian government that political change not be accorded a place too prominent on the agenda.