

*INSS Insight* No. 1169, May 21, 2019

## **Concerns for Jordan's Stability**

**Oded Eran**

**In the first years after the outbreak of the Arab Spring, the common assessment was that the Hashemite Kingdom was able to cope with the challenges it confronted, despite the various internal and external political pressures, including the demographic pressure created by the wave of refugees from Syria. However, cracks in this image of stability have begun to emerge, and there are increasing indications that the developments in the country could lead to a serious undermining of the regime, with long term strategic ramifications. The destabilization process could, for example, be sparked by protracted mass demonstrations, some of them violent, a loss of control over the situation by security forces, and a loss of the palace's control over parliamentary decisions.**

The status of the Hashemite monarchy in Jordan has not been subject to question since the establishment of the kingdom. While at the outset of the Arab Spring there were calls to reduce the King's authority and establish a constitutional monarchy, King Abdullah II wisely deflected the trend by adopting some of the demands – mainly by changing the electoral system. However, the past two years have seen increased criticism both of the King's approach to the kingdom's fundamental problems, and of the personal conduct of the King and Queen Rania. Rumors and reports in non-Jordanian media that an underground organization has formed against the King and includes some of his close associates were verified when the King publicly confirmed this. In early May, the Jordanian press published a letter from the King to Ahmad Husni, appointed as the new director of the General Intelligence Service, which has a key part in Jordan's internal and external security. The king took pride in the security services that, he said, had managed to uncover "desperate attempts" against the nation, and especially recently, indicating that a number of people were exploiting the difficult conditions that Jordan faced. According to the king, this is a complex and challenging period for the region in which Jordan itself must contend with regional instability and a tense international climate. Along with the head of General Intelligence, other officials in the palace were also replaced.

Since its statehood, Jordan has grappled with existential economic problems stemming from a lack of natural resources and other local sources of income, as well as the need to contend with several migrant waves – large relative to the size of its population. In addressing these fundamental problems, the Jordanian government is compelled to rely

on grants and loans from donor countries and international institutions. This is also true for other countries, but extreme challenges to their stability or their regimes do not create regional unrest or have international ramifications. Since 2011, nearly 1.5 million Syrian refugees have arrived in Jordan, and there is only a slim chance that any significant number will be able to return to their native land. While the international community has helped Jordan cope with the financial burden of absorbing the Syrian refugees, Jordan will continue to bear the long term economic, legal, and political burden inherent in the presence of such a large minority (almost 15 percent of the population) that lacks a clear status. Moreover, donor countries themselves likewise face difficult political and economic realities, on both internal and international levels, and their ability to maintain levels of aid that meet Jordan's needs even partly is far from assured.

In May 2019, the International Monetary Fund published a detailed report on Jordan's economic situation. The IMF's demands of Jordan from 2016 to reform the tax system (including supervision, enforcement, and collection) as a condition for receiving a loan, as well as a rise in fuel and electricity prices, ignited a rebellion in the Jordanian parliament, which refused to accept them. The King was forced to dismiss Prime Minister Hani Mulki, and the new government, headed by Omar Razzaz launched a "national dialogue" that culminated in December 2018 with parliament adopting a large portion of the demands.

Much ambivalence can be discerned between the lines in the report's conclusions. It notes that economic growth in 2018 was weak, as unemployment remained at 18 percent (more than 42 percent among young people, and more than 23 percent among women). The government deficit rose toward the end of 2018, reaching 2.4 percent of GDP, erasing the deficit cut earlier in the year. In contrast to the cuts in government expenditure on health, the report points to the deficit growth due to a cut in electricity prices despite a rise in fuel prices, which increased the electrical company's contribution to the deficit to 0.3 percent of GDP. The deficits of the electricity company and water authority brought the public sector deficit to 4.3 percent of GDP, though the forecast in 2016, when the IMF approved a \$723 million loan to Jordan to be disbursed over three years, was that the deficit would reach only 1.8 percent of GDP.

The report notes that a \$500 million loan from the World Bank, \$2.5 billion in aid pledges, and \$1.6 billion worth of cash from Kuwait, Saudi Arabia, and the United Arab Emirates, along with periodic interest rate increases by the Central Bank of Jordan helped maintain the stability of the monetary system. However, Standard & Poor's credit rating for Jordan was downgraded in October 2017 from BB- to B+, where it remains to this day

Under the sub-heading "The forecast remains subject to considerable risks," the report states that while the situation in Syria has stabilized, it remains fluid and prone to unexpected developments, and that an increase in oil prices and a reduction in international credit sources could harm Jordan's foreign exchange reserves and increase its inflation rate. On the positive side, it notes that a rise in oil prices could increase Jordanian exports to oil-producing countries as well as remittances by Jordanian workers in these countries, and yield positive results from the construction of the oil pipeline from Iraq to Aqaba. Any forecast will, of course, depend on the strict implementation of the new income tax law and compliance with collection targets.

Although government resolutions on tax reforms and the abolition of subsidies have been approved by parliament, they continue to provoke lawmakers and spark public protests in Jordan's main cities. In Amman, the weekly demonstration in the Fourth Square has become a fixture.

In addition, the Israeli-Palestinian conflict continues to stir up public opinion in Jordan and preoccupy King Abdullah II. Compounding this situation are elements that will exacerbate the ramifications of the conflict for Jordanian-Israeli relations. In recent months, tension has erupted over the Temple Mount due to the struggle between Islamist, Palestinian, and foreign elements (Turkey, for example) for greater control over inside the compound, and Israel as it seeks to exercise its sovereignty over the site. Jordan, which unilaterally broadened the application of the clause in the peace treaty acknowledging Israel's recognition of Jordan's special interest in the holy sites of Islam in Jerusalem, such that it is tantamount to custodianship over the holy sites of Islam and Christianity, has transformed the issue into a means of strengthening its international standing. The King has perhaps channeled internal criticism at the regime into a public protest against Israel and a rallying around the King and his self-styling as defender of Jerusalem's central place in Islam.

If the new Israeli government initiates or accepts legislative moves toward annexation to Israel and/or the application of Israeli jurisdiction to areas of Judea and Samaria, Jordan will head the Arab camp that will urge the international community not to recognize these measures, condemn Israel, and even impose sanctions unless Israel refrains from such moves.

Exacerbating the picture are the expected ramifications of President Trump's "deal of the century" to resolve the Israeli-Palestinian conflict. King Abdullah, who reiterates in every meeting with leaders of the region and the international community that there is no solution other than the two-state solution based on the 1967 lines and East Jerusalem as the capital of the Palestinian state, finds it hard to hide his opposition to any other

paradigm, clearly alluding to the upcoming US plan – although King Abdullah claims that the administration has not clarified the details of the plan to him. Once it is made public none of the diplomatic rhetoric will help him, and he will be forced to voice his opposition in clear and unequivocal language so as to silence all those secretly whispering in Amman that generous American aid would moderate his response.

The already cool relations between Israel and Jordan, and especially between the King and Prime Minister Benjamin Netanyahu, will be heavily tested with in the next few months. In addition to the stalemate in the Israeli-Palestinian negotiations and the ongoing tension on the Temple Mount, Israel and Jordan will have to deal with Jordan's announcement that the agreements regarding Naharayim and Tzofar (two enclaves that were recognized in the 1994 peace treaty as belonging to Jordan but remained open to Israeli presence for 25 years) will not be renewed; attempts in Israel to move forward with the annexation of territories in Judea and Samaria; disagreement over the Dead Sea-to-Red Sea canal; ongoing criticism in Jordan of the deal for Israel to sell gas to Jordan; and the US "deal of the century." This is a list whose every item threatens the essence of the relationship.

Israel has an interest in Jordan's stability, and developments in the Middle East over the past decade have only strengthened this interest. Moreover, Israel wields significant influence on Jordan's ability to cope with some of the challenges it faces, and therefore what is necessary is strategic Israeli thinking, along with Jordanian and Israeli willingness to avoid provocative steps despite internal pressures in both countries. A comprehensive dialogue is also required between them, and at the senior level, in order to stabilize and ensure the relations to the fullest extent possible.