

Jordan

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|---|-------------------|-----------------------------|---------------|
| Status Index 4.5 (Democracy: 1.8 / Market economy: 2.7) | | Management Index 4.2 | |
| System of government | Autocracy | Population | 5.2 mill. |
| Voter turnout | 19 % ^b | GDP p. c. (\$, PPP) | 3,870 |
| Women in Parliament | 0 % | Unemployment rate | 13.9 % (1998) |
| Population growth^a | 3.8 % | HDI | 0.743 |
| Largest ethnic minority | n. a. | UN Education Index | 0.86 |
| | | Gini Index | 36.4 (1997) |
| <p>Data for 2001 – if not indicated otherwise. ^{a)} Annual growth between 1975 and 2000. ^{b)} The figure of 824,734 voters represents 56 % of possessors of voter's cards, 45 % of registered voters, but only 19 % of eligible voters. Source: UN Human Development Report 2003.</p> | | | |

1. Introduction

Jordan embarked on a transformation to a market economy and on a process of political opening long before the language of democratization and regime change in the Middle East entered common usage. Thus, despite stagnation and, in some areas, regression in the democratization process, in international circles Amman can point to a certain traditional tendency towards a rational organization of the state, the economy, and society. Economic reform and political change also serve a useful function with respect to the strategic goal of preserving the inherited order; the intention behind the economic structural adjustment and broadening of the political field is neither regime reform nor, least of all, regime change.

The monarchy in Jordan has been and continues to be a unifying bond, not only for Transjordanians and Palestinians, but also for the Circassians and Chechens who immigrated from the Caucasus in the 19th century. The king symbolizes political authority, whose legitimacy requires that the state be in a position to provide the population with services. The economic crisis of the late 1980s severely undermined the traditionally functional mix of a rentier state and clientelism; a certain political opening was therefore indispensable to creating a broad social consensus for a fundamental structural adjustment.

The government has repeatedly used Jordan's geographical situation between the Israeli-Palestinian and Iraqi crisis areas to put clear limits on this political opening,

however, while referring to the imminent challenges to the country's stability from these areas. Moreover, Amman has continually drawn political capital from these threats, which to that extent have also been benefits. The financial assistance that Jordan has received from both Arabic and Western sources, occasioned by the Israeli-Palestinian conflict and, more recently, the war in Iraq, also alleviates the pressure for more rigorous action towards a market economy.

Jordan will fully succeed in its "nation building" only when the state frees itself from the logic of foreign financial assistance, establishes a connection to its own society and makes the productivity of that society its basis. The principle of "no taxation without representation" will then be able draw Jordan into the maelstrom of genuine democratization, which can be the only guarantor of lasting stability.

2. History and characteristics of transformation

Jordan's free-market and political opening dates back to the end of the 1980s. The decline in oil prices from 1986 soon led to a decrease in credit transfers from Jordanians working in the oil-producing countries of the Persian Gulf, to the collapse of Jordanian exports to these countries, and to a slump in Arabic economic aid, which Jordan, as a front-line state abutting Israel, had been able to count on until then. As a rentier state in which income came predominantly from abroad, the state in Jordan in good years was largely autonomous from society. This put the government in a position to finance patronage and client relationships, to secure the loyalty of tribes, major families and the private economy, and to maintain a limited welfare regime.

In April 1989 it became obvious that this order of things had reached its limits when unrest broke out in the Transjordanian south, where the effects of the structural adjustment program controlled by the World Bank and the International Monetary Fund were manifesting themselves. A political opening offered a way out of the crisis by lessening pressure on an extremely autocratic king and redirecting it towards a parliamentary government. This way out of the economic crisis also made it possible to bring about, and democratically sanction, a turning point in Jordanian-Palestinian relations.

An insistence on Jordan's claim to the West Bank had seemed inopportune since the beginning in 1987 of the intifada in the territories occupied by Israel in 1967 (which before then had belonged to Jordan). King Hussein relinquished this claim in July 1988 in favor of the Organization for the Liberation of Palestine.

The parliamentary elections of November 1989—the first since 1957—put the government in a position to subject both economic and political challenges to a more

broadly based constituency, thereby removing any doubt as to the regime's legitimacy. Successes have been achieved since then in macroeconomic stabilization, opening up the domestic market and integrating Jordan into the global economy. In the field of political reform, deregulation was achieved in some areas, such as political parties and the media, and lasted until after elections to the Chamber of Deputies were held for the second time in 1993.

The new regional situation arising out of the Gulf War led in 1991 to the convening of a Middle East peace conference in Madrid, which was followed in 1994 by a peace agreement between Jordan and Israel, after the Israelis and Palestinians had also agreed, in Oslo the year before, on a basic procedure for managing their conflict. Since then the democratization process has been moved forward or set back essentially as a function of the acceptance or rejection of the peace treaty with Israel. Jordan's precarious position is politically attributable primarily to the fact that the Oslo process produced no lasting solution for the Palestinians, and that its own separate peace in 1994, despite broad immediate approval, was increasingly discredited in the following years, due to Israel's continued occupation of the West Bank and the Gaza Strip.

Economically, at the same time, Jordan had no alternative to the economic aid that was provided by Western countries and linked to the peace. This was especially important because King Hussein's position on the Gulf War had resulted in the expulsion of some 300,000 Jordanians of Palestinian descent from the oil-producing states of the Gulf, and important transfer payments had therefore ceased. Until his death in February 1999, Hussein devoted himself primarily to regional diplomacy and to preserving the new Jordanian-Israeli relationship. The accession of King Abdullah II brought about a shift of attention towards the economic and domestic agenda.

3. Examination of criteria for democracy and a market economy

3.1 Democracy

While the years from 1989 to 1993 may be looked upon as a period of expanded freedoms in Jordan, following the 1994 peace accord with Israel, King Hussein kept internal political openness strictly subordinate to the external requirements of reconciliation with Tel Aviv. Hussein's decision shortly before his death to transfer succession to the throne from his brother to his eldest son Abdullah ushered in a transitional phase of a different character, one in which the foreground was occupied, not by Jordan's democratic reform, but by efforts to secure the new king's power to govern.

3.1.1 Political regime

(1) *Stateness*: In principle, the state's monopoly on the use of force is enforced nationwide, but occasionally it is weakened, because such non-state actors as tribal and clan leaders are granted a certain authority as "intermediary powers." Impairment of state power has repeatedly come to light in Maan in southern Jordan, most recently in November 2002 in connection with police searches in an Islamic milieu following the murder in Amman of Lawrence Foley of the US Agency for International Development.

Tribalism is characteristic primarily of the Transjordanian part of the population, in contrast to which the Jordanians of Palestinian origin—refugees and exiles from the Middle East wars in 1948 and 1967 and their descendants—who make up roughly 60 % of the nation's population, constitute a distinct group. The older generation makes distinctions of an almost ethnic nature between Palestinians and Transjordanians, while a process of assimilation can be observed among the younger generation. Nevertheless, Transjordanians, along with the Circassians and Chechens who immigrated from the Caucasus in the 19th century, enjoy a privileged position in the state bureaucracy and in political life, compared with the Palestinians.

Apart from these cleavages, citizenship rights, such as the ability to pass Jordanian citizenship on to the children of a marriage between a Jordanian and a non-Jordanian, are withheld from women, in spite of the principle of equality enunciated in Article 6 of the constitution. There are no ethnic divisions that coincide with religious markers between Muslims and Christians, although the monarchy derives some of its legitimacy by tracing its lineage back to the prophet Mohammed, and Islam is the state religion. Religious law applies particularly in civil matters, such as marriage, divorce, inheritance and welfare rights, and is a source of inequalities.

A working administrative system exists throughout the national territory, though in places there are serious deficiencies, particularly in the implementation of political decisions and the administration of justice.

(2) *Political participation*: The king, invoking Article 73 Section 4 of the constitution, postponed the elections to the Chamber of Deputies due to be held in November 2001, in light of the tensions in neighboring Palestine and their potential effects on the election results. The elections now scheduled for June 17, 2003, will be held, if at all, on the basis of universal suffrage and the right to campaign for office. It will not, however, determine the distribution of government power, which will continue to rest largely with the King and the government he installs, which is subordinate to him.

Since the dissolution of the last parliament, the government has passed more than 130 provisional laws under Article 94 of the constitution without legislative involvement. Although such laws require parliamentary approval in the next session of the Chamber of Deputies, for the present they have the force of any law passed through the normal process under Article 93. The roughly 30 political parties are underdeveloped in objectives, communication and intra-party democracy, and they are unable to initiate or control political decision-making processes from below.

Genuine criticism of the regime is possible only within very narrow limits. Similarly narrow boundaries are set for expressions of opinion in the print and electronic media. The penal code was tightened in October 2001 and allows criminal prosecution of statements that are deemed to be detrimental to the reputation and dignity of the state. It regularly happens that publication of critical reports or dissenting opinions quickly fulfills the definition of such an offense.

(3) *Rule of law*: The division of powers among the legislative, executive and judicial branches is not always observed in practice. The king's person serves as the ultimate point of reference and, according to Article 30 of the constitution, can be challenged by and is accountable to no one. His right under Article 34 Section 3 of the constitution to dissolve the Chamber of Deputies gives him the authority, in conjunction with Articles 73 and 94, to enact laws without parliamentary review through the Council of Ministers, which, according to Article 35, is subordinate to him.

Corruption is considered a constitutive element of a system that is only inadequately equipped with checks and balances. Transparency International's Corruption Perception Index of 2002 ranks Jordan 41st among 102 states. To combat corruption, an anti-corruption committee was established in 2000 within the Prime Ministry to expose violations in concert with the Anti-Corruption Unit of the General Intelligence Department, which had already been established in 1996.

But, as the Intelligence Service is itself accused of corruption, it is generally assumed that these measures encompass the investigation of only the least significant violations, while instances of truly serious corruption go unpunished. The justice system has yet to wind up the Shumayleh case of early 2002, in which fraud exceeding \$150 million was exposed, and in which more than 70 officials, businessmen and politicians have been implicated.

In contrast, the justice system is much quicker to take action against Jordanians who publicly denounce corruption and name names, and it is usually prompt in obtaining arrest warrants. Civil rights are insufficiently enforceable; in particular, infringements

of Article 6 of the constitution—the principle of equality—by simple legislation cannot be challenged through legal action.

3.1.2 Political patterns of behavior and attitudes

(1) *Institutional stability*: There are no political decision-making powers assigned to democratically elected bodies, whose existence within a system shaped by a strong monarchical principle seems superfluous at present. The Chamber of Deputies, dissolved in June 2001, reflected in essence the tribal structure and balance of power in the country. Though the relevant actors have accepted the parliament as a democratic institution, on the whole they are more inclined to be co-opted by the monarchy than to seek open political confrontation.

(2) *Political and social integration*: Social integration occurs less through a system of political parties articulating political interests in the public sphere than through patrimonial and client networks that for the most part serve to protect special individual or collective interests. The tribal structure of the Transjordanian part of the population serves as a vehicle for attempts to exert influence from below, but is at the same time an instrument of control from above.

Professional associations maintain an entitlement to mobilize forces of political influence, and in doing so appear to possess greater appeal than political parties. According to a survey by the Center for Strategic Studies in 2000, 98.6 % of those asked stated that they had never been a member of a political party; 92.6 % declared that this was also something they would not seek in the future. Civic groups, on the other hand, are numerous in Jordan, but are fragmented along socioeconomic lines.

3.2 Market economy

Progress is to be noted in restructuring the economic system in Jordan, while the long-term challenges of social development have been engaged to a lesser extent and with less alacrity than have the country's short- and medium-term preparation for internal free-market conditions and external competitiveness.

3.2.1 Level of socioeconomic development

Key indicators place Jordan at a lower-middle level of development. Jordan compares favorably with other Middle Eastern and African countries in its health and education sectors. Social convention continues to exclude women from many fields, for all that

they are more integrated into social life in Jordan than in other countries of the Arab East. This is true especially in terms of the urban-rural gap. Poverty is a further factor in social exclusion. The years 1992 to 1997 show a decline in average per capita expenditure coincident with a reduction in poverty (in 1997 the poverty line was 313.50 Jordanian dinars).

The Gini index for this period accordingly reflects a reduction of inequality in terms of per capita expenditure. According to the 1992 and 1997 income and expenditure surveys of Jordan's official Department of Statistics, the six wealthiest tenths of the population suffered losses, as average per capita expenditure fell by 7.2 % at the national level, while the four poorest tenths made gains.

Table: Average per capita expenditures in 1992 and 1997 (in Jordanian dinars)

| Population segment | 1992 | 1997 | Percentage Change |
|--------------------|-------|-------|-------------------|
| 1st decile | 210 | 235 | 12.0 |
| 2nd decile | 317 | 339 | 7.0 |
| 3rd decile | 396 | 407 | 2.7 |
| 4th decile | 473 | 474 | 0.2 |
| 5th decile | 558 | 546 | -2.2 |
| 6th decile | 655 | 624 | -4.8 |
| 7th decile | 778 | 728 | -6.4 |
| 8th decile | 959 | 874 | -8.9 |
| 9th decile | 1,265 | 1,133 | -10.4 |
| 10th decile | 2,600 | 2,262 | -13.0 |
| Average | 821 | 762 | -7.2 |

Note: One Jordanian dinar is equivalent to \$1.41 at the currently highly stable pegged rate.

While there has been a decline in the proportion of poor people below the accepted 1997 poverty line of 313.50 Jordanian dinars (average per capita expenditure), the number of poor remains virtually unchanged at 538,000, due to population growth. If one assumes a higher poverty line of 365 Jordanian dinars as a basis, then the number of poor actually rose from 802,600 in 1992 to 839,000 in 1997.

3.2.2 Market structures and competition

Free-market competition is largely guaranteed, but in some sectors it is controlled or manipulated by the state. The larger companies in particular owe some of their economic power to their proximity to political decision-makers. A competition law went into effect as provisional legislation on August 15, 2002.

It provides for the creation, within the Ministry of Industry and Trade, of a competition authority that meets basic international requirements in its mission and administrative structure. In the foreign trade sphere there has been noticeable liberalization in regard to the global market, most notably the Association Agreement with the European Union in 1997—in effect since May 2002—and a free trade agreement with the United States in 2000. In line with these agreements, Jordan is gradually dismantling its tariff barriers.

At the same time, elements of the state trading principle prevailed in regard to exports to Iraq until the beginning of the recent war. The Ministry of Industry and Trade managed the import of Iraqi oil deliveries to the Jordanian government in exchange for goods from private Jordanian industry exported to Iraq. The banking system and financial markets have been extensively deregulated, and there are virtually no impediments to the transfer of capital. Supervision of the banking system has been upgraded since the Shumayleh scandal of 2002, although Jordan adheres for the most part to the Basel standards.

3.2.3 Stability of currency and prices

During the period of this report, currency and price stability was ensured on the basis of long-term strategic decisions. The inflation rate is low, but there are stability risks resulting from relatively high budget deficits that only massive financial aid from foreign sources can bring down to reasonable levels. A large share of government expenditure continues to be tied up in paying off debts and is therefore unavailable for investment purposes.

3.2.4 Private property

Private property is guaranteed in Jordan. Provisional Law No. 24 of 2002 puts Jordanians and foreigners on an equal footing in land acquisition matters, based on the principle of reciprocity: only non-Jordanians in whose countries Jordanians are permitted to acquire land may acquire property in Jordan. To strengthen the private sector and to improve the climate for domestic and international investment, Jordan is

pursuing a privatization program that has been directed since 1996 by the Executive Privatization Commission; to date it has brought in roughly \$1 billion.

As for the protection of intellectual property rights, the Copyright Protection Law of 1992 was further developed in 1999 to fulfill the conditions for membership in the World Trade Organization.

3.2.5 Welfare regime

Jordan's social safety net continues to be based largely on the solidarity of family and clan structures. Poorer segments of the population enjoy some additional protection through the National Aid Fund. Gainfully employed persons have access to social insurance as long as they work for companies with more than five employees. Their employer must register them with the Social Security Corporation. 5 % of wages is paid directly into social insurance, while the employer contributes an additional 10 % of wages.

Civil servants are assigned to the Civil Health Insurance Program for health insurance and to the Civil Pension Program for post-retirement provisions. The Royal Medical Services and the Military Pension Program provide security for members of the Jordanian military. Aside from the National Aid Fund for social hardship cases, unemployment insurance does not exist.

Social development measures are aimed at producing equality of opportunity. The rural sector is falling behind the urban sector in this regard. Women have entered the education and health sectors in particular, and the educational level of working women exceeds that of their male counterparts.

3.2.6 Strength of the economy

The macroeconomic data are disparate and sometimes irregular over the years. Healthy inflation data and, with foreign financial aid taken into account, acceptable budget deficits contrast with a low level of employment. The growth of exports since 2001 is both a reflection of increased economic cooperation with Iraq up to the beginning of the war in March 2003 and a result of the free trade agreement with the US. The Qualifying Industrial Zones set up in 1999 and the Special Economic Zone set up in the southern Jordanian port city of Aqaba in 2001 are attracting investors, who are able to export directly to the United States from these zones free of duty and quota restrictions. But in this case the driving economic force originates abroad and

extends only partially to the domestic Jordanian economy, so that the effect on development has so far remained very limited.

3.2.7 Sustainability

Jordan is making efforts to bring the exigencies of social and economic development into harmony with those of environmental protection. The Environmental Protection Act of 1995 was the basis for establishing the General Corporation for Environmental Protection, from which the Ministry of the Environment emerged in December 2002. A national environmental strategy and accompanying action plan have been developed since then, but their implementation is difficult to assess at this time.

Investment in education in 1995–97 amounted to 7.9 % of GDP, below the 9.5 % share devoted to military expenditure for 2000. The quality of educational, training and research institutions varies widely, and is lower in the rural regions of the south and the north than in the Amman-Zarqa urban corridor. Among schools, private organizational forms demonstrate higher quality, while among universities a privately supported institution does not necessarily have better educational offerings. Here the commercialization of education has sometimes led to inequities.

4. Trend

(1) *Democracy*: The parliamentary elections of 1989 marked a democratic departure for Jordan. The “block vote system” gave each voter as many votes as there were representatives to be sent to the parliament from the voter’s electoral district. Although political parties were formally prohibited, voters were allowed, not only to cast a vote for a family- or tribally-affiliated candidate, but to cast additional votes for politicians representing specific party political objectives.

The Islamists profited the most from this arrangement, taking, according to estimates, 30 % of parliamentary seats with roughly 20 % of the vote, primarily due to the voting behavior of Palestinian Jordanians. The monarchical candidates, on the other hand, with 60 % of the vote, received only 40 % of the seats.

The elections that followed in 1993 took place after political parties had been reauthorized, but were held in accordance with electoral law as refashioned shortly before. This granted each voter only one vote in the voter’s electoral district. As voters’ familial and tribal orientation was stronger than a desire to support a political/ideological program with their only vote, the Chamber of Deputies acquired

a structure in which political parties led an only marginal existence compared to the numerically dominant notables.

The most well-organized of all the factions, the Islamic Action Front—the political arm of the Muslim Brotherhood—won 20 % of the seats with 17 % of the vote, while royalist candidates provided roughly 60 % of the representatives with 58 % of the vote. The uneven distribution of electoral districts produced a disproportionately large representation of rural districts populated by Transjordanians, as opposed to the urban centers inhabited by Palestinian Jordanians.

The elections of 1997 were held under the same electoral law and confirmed the voters' tendency to vote less on the basis of a political program than from the standpoint of tribal affiliation and the candidates' expected ability to bring services to their constituents. The elections set for November 2001 ran the risk, from the government's point of view, of provoking an act of solidarity with the smoldering Palestinian intifada, and were therefore postponed.

While the political institutions brought to life in 1989 were preserved during the assessment period, the Chamber of Deputies in particular has not proved itself as an instrument of political participation. The reason for this may be found as much in voter behavior as in the government's strategy of deliberate "gerrymandering" to strengthen the monarchical principle in Jordan.

Moreover, with the change in the order of succession from King Hussein's brother Hassan to his eldest son Abdullah, the need to consolidate the monarch in his person as he took over the apparatus of power became a priority. To what extent the elections for the Chamber of Deputies now scheduled for 17 June 2003 will afford the democratic process a new beginning cannot be foreseen at this time.

(2) *Market economy*: The factors that make up the Human Development Index show, over a five-year period, minimal improvement just above the stagnation point. Abdullah II's prioritization of economic policy since 1999 differs significantly from his father's diplomacy-oriented agenda and indicates that the challenges of general social development will, at the very least, receive closer attention in the future.

Table: Development of socioeconomic modernization indicators

| | HDI | GDI | GDP Index | Gini Index | UN Education Index | Political representation of women ^{a)} | GDP per capita (\$, PPP) |
|------|-------|-------|-----------|------------------|--------------------|---|--------------------------|
| 1995 | 0.703 | | | 40 ^{b)} | | 1.25 | |
| 2000 | 0.717 | 0.701 | 0.61 | 36 ^{c)} | 0.78 | 0 | 3,966 |

(a) Chamber of Deputies; (b) 1992; (c) 1997. All data according to the UNDP–HDR 2002. The Gini index is based on World Bank Report 22560, June 2001, “Poverty alleviation in Jordan.”

Results to date may therefore be marginal, but it must be acknowledged that, with respect to an economic institutional framework, a series of decisions has been made with medium- or long-term effects. The Association Agreement with the European Union, the free trade agreement with the United States, the accession to the World Trade Organization and the establishment of special economic zones have paved the way for the country’s opening to the global economy.

Economic potential stands to gain thereby, but its development requires not only the creation of new investment opportunities, but improvement in the overall investment climate as well. Economic vitality has to date been a product of niche activity. This is true of that part of the globally non-competitive Jordanian export economy involved in trade with Iraq (up to March 2003) and is especially true of Asian companies taking advantage of Jordan’s free trade agreement with the United States and establishing a presence in the special economic zones, especially the Qualifying Industrial Zones and Aqaba Special Economic Zone.

The significant increases in Jordanian exports to the United States are the immediate result of these activities. Although these are considered Jordanian exports, they do not reflect an actual improvement in the local Jordanian economy. Most “offshore” companies import labor in addition to materials and equipment, especially from Asia, so that, in terms of development policy, these changes have so far had little effect on Jordanian society or the Jordanian economy.

Entry restrictions on travelers from China occasioned by the SARS problem have therefore been having disproportionately negative short-term repercussions.

Table: Development of macroeconomic fundamentals (1997-2001)

| | 1997 | 1998 | 1999 | 2000 | 2001 |
|--|------|-------|------|------|------|
| Growth of GDP, in % | 1.3 | 2.2 | 1.3 | 2.0 | 1.3 |
| Foreign trade | | | | | |
| Export growth, in % ^{a)} | | -2 | 1.5 | 3.7 | 21 |
| Import growth, in % ^{a)} | | -7 | -3 | 24 | 5 |
| Inflation, in % | 3 | 3.1 | 0.6 | 2 | |
| Unemployment, in % | | 13.9 | | | |
| Budget deficit in % of GDP | | | | | |
| - excluding foreign financial aid | -7.7 | -10.7 | -7.6 | -7.1 | |
| - including foreign financial aid | -3.1 | -6.8 | -4.0 | -2.4 | |
| Current account balance, in \$ billion | | | | | |

^{a)} Data according to the Jordan Export Development and Commercial Centers Corporation (JEDCO, www.jedco.gov.jo)

5. Transformation management

5.1 Level of difficulty

As a lower-middle-income country, Jordan is at a level of development that can both limit and animate economic and political reform processes. Proximity to foreign centers of conflict in Israel/Palestine and Iraq, along with the latent persistence of diverging interests between Transjordanians and Palestinian Jordanians in relation to these two neighbors, has brought economic and political transformation to a standstill.

On the other hand, a civic practice that is at present qualitatively weak is able to draw on stronger traditions from years past, and thus holds a potential for development that allows us to assess the transformation as of no more than medium difficulty. A medium level of education among society offers a good starting basis. The so far inadequate consolidation of rule-of-law structures and representative democratic institutions does not pose an insurmountable obstacle, since there is a consensus that promotion of these elements is desirable.

5.2 Reliable pursuit of goals

While Jordan's priorities under the rule of King Hussein may be described as securing state identity externally and supporting the monarchy internally, the accession of Abdullah II brought about, in political discourse at least, a strategic focus on internal economic and political reform. During an initial phase following his accession, this redirection served the purpose primarily of securing the king's powers and gradually subordinating state hierarchies to the king's person, especially the internal security services of the Public Security Directorate and the General Intelligence Department (GID).

Abdullah II at first retained his father's GID director, Samih Battikhi, whose influence also played a role in the nomination of Abdul Rauf Al-Rawabdeh as the new king's first prime minister. At the same time, Abdul Karim Al-Kabariti, a reformer, was appointed Chief of the Royal Court, only to be replaced in January 2000 by the more traditional Fayez Tarawneh, due to fundamental differences with Al-Rawabdeh.

Interaction between Battikhi and Al-Rawabdeh unfavorably affected the king's political options. In June 2000 the prime minister was replaced by the more liberal Ali Abdul Ragheb; in November the king rid himself of Battikhi, replacing him with the less politically ambitious Saad Kheir. Since then, and with the appointment of Tahsin Shurдум as head of the Public Security Directorate and a reform of the royal court in March 2003, Abdullah II has commanded a stronger power base.

Given the surprising, short-notice change in the succession to the throne, these personnel decisions represent a significant political stabilization, one that provides the only basis on which strategic priorities may be developed and implemented. In economic terms these priorities consist of overcoming dependence on foreign financial assistance by awakening the productive forces in the country, and using an economic institutional framework that would be conducive to these forces. In political terms they aim to reduce tensions between the Transjordanian and Palestinian segments of the population internally and to improve regional cooperation externally.

Of the internal reforms, economic reform in particular is advocated consistently in political discourse and implemented in key areas. In the economic sphere, transferring responsibility for administering the general sales tax to the Ministry of Finance in 2000 and extending the tax at the beginning of 2001 to all business transactions alleviated at a stroke Jordan's dependence on foreign funds.

The measures already described for integrating Jordan into the global economy may have yet to fully develop, but one may expect from the presence of offshore companies a knowledge transfer to the Jordanian economy. In the political arena, with elections to the Chamber of Deputies slated for June 2003, the prospect is emerging, after some hesitation, of a new beginning. In both the economic and political fields, however, there is a serious need for communication concerning the political actors' and citizens' level of reliability of expectations.

5.3 Effective use of resources

The use of resources in the transformation process has been largely effective, even if the historically inherited public sector continues to be overstaffed with personnel not involved in the groundwork for the intended economic stimulation. Politically motivated recruiting—in particular job guarantees in the context of client relationships—no longer occurs to a great extent, although a certain favoritism persists. Only occasionally can financial resources be put to specific uses, as budget deficits, albeit moderate, along with a still substantial debt burden, do not leave sufficient funds free for investment purposes.

In administrative organization there is a distinction to be made, in terms of efficiency, between institutions that have existed from time immemorial and those of a more recent date. The former are evolving but slowly from employment agencies into modern service providers, while the latter demonstrate a greater degree of dynamic management. Moreover, economic reforms are, as a rule, implemented more effectively than political reforms.

No efficient structure for fighting corruption has been established so far, regardless of personnel or financial resources. The state has been similarly unsuccessful in mobilizing cultural and religious resources for a reform policy; but this is also true of the challenge posed by the Islamic milieu, which has not sufficed to bring cultural elements to bear on a project for the future.

5.4 Governance capability

In terms of economic restructuring, reforms have proceeded up to now in ordered steps that build one upon the other. This is true, above all, of Jordan's opening to the world economy and the establishment in Jordan of innovative branches of industry. On the other hand, the need to modernize existing traditional industries is not sufficiently emphasized. In this connection, cooperation with the European Union

within the framework of the Association Agreement is proving to be an important link. Political actors as a rule are in a position to recognize neglected challenges.

On the other hand, the arrogance of power has in recent years prevented the exploitation of prospects for political reform. Instead of betting on the wisdom of the population and involving it in the political process, those in power perceived a threat and responded with police repression. Particularly in the realm of the media and freedom of speech, strategies and instruments of government paternalism were employed that were of limited effectiveness, given the transnational character of the new media.

Compounding the difficulty in economic and political matters was the fact that Abdullah II had to begin his reign by securing his political authority within the political class before he could use that authority to implement reforms.

5.5 Consensus-building

Resistance must be overcome if the transition from a rentier economy to a productive economic system is to be successful. The same is true of a political opening towards a Jordanian-Palestinian reconciliation. The attempt by the Palestinian militias, in the course of the conflict with Israel, to take over Jordan as a front-line state led, after the “Black September” crisis of 1970–1971, to a deliberate economic and social balancing act under the primacy of the monarchy. At present, however, creating consensus on necessary reforms means, apart from overcoming the Transjordanian-Palestinian antagonism, breaking up or rendering irrelevant the structures of privilege that have evolved.

Those groups that from the outset have conceived of a change in the status quo as only a losing proposition, rather than full of prospects, have been marginalized to some extent in the last two years. Since 2002 the government has initiated a publicly effective campaign under the motto “Jordan first,” whose objective is to strengthen the cohesion of the Jordanian people externally and internally. It is both aimed at the psychologically charged effects the Israeli-Palestinian and Iraqi crises have been having upon the Jordanian population and intended to strengthen social solidarity for the internal reform process. In this connection the monarchical principle remains a reference point able to bridge or reconcile existing tensions

5.6. International cooperation

There is close agreement in economic matters between Jordan and important external actors, such as the World Bank, the International Monetary Fund, the US and the European Union. The same is true as regards Israel, despite the difficult regional conditions and Tel Aviv's dismissive attitude towards a more active role for Jordan in the territory of the Palestinian National Authority. International agreements are observed—most notably the involvement of Israeli capital in the special economic zones as a condition of free trade with the US.

Apart from the cultivation of economic relations with the West, relations with Iraq assumed a special role. For pragmatic reasons, Amman's aim was to secure oil imports and the Iraqi market for the Jordanian export economy. Until March 2003, Jordan received half of its oil deliveries from Iraq at no charge and paid for the rest in goods delivered below world market prices.

This agreement, which Iraq kept primarily to overcome its political isolation, contributed decisively to the desire of the United States to open an alternative market for Jordan's exports by setting up a free trade zone, in order to prevent the country from drifting into the economic orbit of Saddam Hussein.

The trouble spots of Israel/Palestine and Iraq continued to be significant factors in the stagnation of the political transformation process, even without the political actors in these countries interfering in Jordan's affairs themselves. Jordan's relations with its other neighbors did not serve the country's internal reforms, either, but did serve to reduce tensions and to reintegrate Jordan into its international environment.

In 1999, Syria's President Hafez Al-Assad attended the funeral ceremonies for King Hussein in Amman, after having fallen out with him over Jordan's separate peace with Israel in 1994. Moreover, cooperation with Syria improved when, following the death of Hafez Al-Assad in Syria in June 2000, the issue of succession was decided in favor of his son Bashar Al-Assad.

Jordan also made significant overtures to the oil-rich Gulf states, in which, diplomatically and officially, irritation over King Hussein's position in the war for Kuwait still prevailed. The change at the head of the Jordanian government allayed such irritation.

6. Overall evaluation

In view of the originating conditions, the current status, the evolution achieved in the last five years and the management of transformation, one may draw a balance as follows.

(1) Starting conditions: The starting conditions for a democratic and free-market transformation had their roots in historically long-standing problems that were complex, though not unfamiliar. Both free-market structures and a functioning state apparatus existed when the reform process was begun at the end of the 1980s; hence there was no need to invent either state identity or a market economy. It was nonetheless necessary to present them in the best light in political discourse and to bring them into play, as part of a strategic effort, in various operative stages.

The legacy of economic rents and political patrimonialism and clientelism proved to be an impediment. The succession from King Hussein to Abdullah II signified another turning point, at which the monarch's consolidation of power took precedence over plans for an economic and political opening, as it probably had to.

(2) Current status and evolution: The process of transformation to a market economy was able to resume soon after Abdullah II took over the government. While the previously begun process of macroeconomic stabilization was continued, for the most part successfully, the way was open to introduce for the first time, or further develop, approaches to an economic institutional framework in connection with education, information technology, intellectual property protection, privatization and opening to the global economy. Fundamental decisions needed to vitalize the economy were made within a relatively short time.

In democratic transformation, Jordan's path appears to be incomparably longer. In contrast to the beginning of the 1990s, it was evident by the end of the decade that there had been a regression in the political opening process. Mechanisms of political consultation and social participation had not been developed any further; at best, they had stagnated. For all the necessity of limiting the role of the Chamber of Deputies, Jordan's past two years of government without a parliament do not constitute a glorious chapter.

The political challenges, like the economic challenges, call for an orientation based on principles. That none was worked out must be considered a serious omission. As to the question of whether the parliamentary elections set for June 2003 will bring about a qualitative change in this respect, one can only speculate.

(3) *Management*: Jordan changed a large number of its political actors during the report period. The attendant insecurity over the country's future course was overcome relatively quickly, however. The economic restructuring process became more reliable in achieving its objectives, though there are still communicative hurdles to clear to create a social consensus. The organizational capability of the responsible parties has developed favorably.

On the other hand, the process of political opening has been addressed too timidly. It is not clear whether the economic structural adjustment will be complemented by an equally dynamic political structural adjustment. It is readily apparent that considerable deficiencies still exist, both in the realm of communication and, presumably, in the field of strategy formulation.

7. Outlook

In the economic sphere, the decisive questions in the next few years will be whether the new objectives for an economic institutional framework are fully implemented, and whether problems for which there are only long-term solutions, such as poverty reduction, better education, industrial modernization and the battle against corruption—to name only the most significant—can be successfully addressed.

Jordan now possesses in many areas a framework of rules that, in other countries at least, are conducive to stimulating economic activity. The success of this program, oriented as it is toward global criteria, will depend on whether existing local structures can be integrated into it. In a certain sense this means following macroeconomic adjustment and public sector reform with reform of the private sector. Major challenges rest not only with the state, but most of all with the economic actors, many of whom have not yet sufficiently recognized the signs of change.

Even so, the economy will change presumably only to the extent that this process also embraces society and the state. Economic vitality requires creativity, and creativity demands freedom. In the political realm, therefore, civil liberties must as a matter of priority become a reality and supplant the principle, practiced up to now, of granting tolerance. This requires a constitutional order that ensures a balance of powers. Social acceptance is the basic premise of any fundamental process of change, and sustained and long-term acceptance can be ensured only by methods that are generally accepted and free of manipulation. This includes elections for a parliament to which the government is accountable, just as it includes the independence of the judiciary. The challenge to the state leadership is to recognize that the economy cannot function according to Adam Smith if the state is led according to Thomas Hobbes.