

Demonstrations in Jordan:: A Bona Fide Threat to the Regime?

Author(s): Oded Eran

Institute for National Security Studies (2018)

Stable URL: <http://www.jstor.com/stable/resrep19384>

JSTOR is a not-for-profit service that helps scholars, researchers, and students discover, use, and build upon a wide range of content in a trusted digital archive. We use information technology and tools to increase productivity and facilitate new forms of scholarship. For more information about JSTOR, please contact support@jstor.org.

Your use of the JSTOR archive indicates your acceptance of the Terms & Conditions of Use, available at <https://about.jstor.org/terms>



Institute for National Security Studies is collaborating with JSTOR to digitize, preserve and extend access to this content.

JSTOR

INSS Insight No. 1065, June 7, 2018

Demonstrations in Jordan: A Bona Fide Threat to the Regime?

Oded Eran

For several days now, thousands of Jordanians have been demonstrating against the Jordanian government and Hani al-Mulki, who, until June 4, had been serving as its prime minister. The demonstrators are protesting the government's intention to enforce more meticulous collection of taxes, raise the tax rate, and increase the prices of products for which demand is virtually inflexible, such as electricity and gasoline. The demonstrators are demanding the government's resignation and the annulment of the changes it has proposed. The prime minister has indeed resigned, and at this stage, the king has halted the implementation of the government's decisions. However, the monetary and fiscal hardship remains as does the regime's dilemma of how to overcome it.

As a country lacking any significant source of revenue, such as natural resources or advanced industry, Jordan is dependent on external financial aid, primarily from the United States, several European countries, Japan, oil-producing Arab countries in the Gulf, and international institutions such as the International Monetary Fund. Given the increase in the expenditures of the government as the largest employer in the Jordanian economy, as well as the burden involved in absorbing a million and a half Syrian refugees and the almost complete cessation of aid from the Gulf States, Jordan's debt burden has intensified to the point of risking insolvency. In 2016, the International Monetary Fund engaged in extended negotiations with Jordan, which concluded with the country's agreement to adopt a number of reforms and fiscal measures aimed at contending with the government's debt burden, which currently stands at \$40 billion, or 95 percent of Jordan's Gross Domestic Product. The problem facing countries like Jordan is not the size of the debt alone but also the country's repayment ability. For example, in the United States, government debt stands at 105 percent of the GDP, but few doubt the US government's ability to repay it.

In July 2017, the International Monetary Fund again discussed the situation in Jordan, and concern arose over this issue following the restrained announcement issued to the press afterwards. This announcement referred to an official unemployment rate of 18.2 percent (various surveys indicate an unemployment rate of over 30 percent among people over the age of thirty as well as among women), the slowing of aid from countries in the Gulf, and the burden of the Syrian refugees. The IMF's management sharpened the

message that had been issued to the Jordanian authorities the previous year regarding the need to cancel import tax and sales tax (known in Israel as VAT) exemptions, as well as the need to improve and intensify the collection of taxes and reduce government expenditures. The Jordanian government adopted a number of these recommendations at the beginning of 2018. In January, the lower levels of sales tax— 4 percent and 8 percent—were raised to a uniform 10 percent. In addition, taxes on gasoline and tobacco were increased. A few days later, the subsidies for flour were revoked. In 1996, a similar measure resulted in demonstrations and riots within the kingdom.

In actuality, the political cauldron has been bubbling in Jordan since January 2018. It reached a boiling point when the government submitted a draft law that included changes to income tax (such as fixing a 7,000 dinar, or \$11,000 threshold for the onset of taxation, increasing corporate tax from 35 to 40 percent, and other tax hikes) to Jordan's two legislative houses: The Senate and the House of Representatives. This sparked the outbreak of demonstrations on a scale that has not been observed in Jordan for many years. The demonstrations, most of which were organized by the country's trade unions, swept up tens of thousands of participants and had two primary characteristics: their focus on the law and the prime minister and the fact that both the demonstrators and the security forces that were present in large numbers, which is typical in such situations, did not engage in any violence. Moreover, the demonstrators did not carry placards and did not chant anti-government slogans. In addition, a photograph of Crown Prince Hussein bin Abdullah present at one of the demonstrations in Amman's Fourth Circle appeared in the Jordanian social media. These facts allow us to conclude that the Jordanian regime is not in danger, although it is being seriously tested in terms of its ability to extricate itself from a situation in which Jordan has found itself in the past.

However, the dimensions of the current crisis are many times greater than the economic forces. As a result of the Arab Spring demonstrations that took place in Jordan in 2011–2012, which are not related to the present demonstrations, the House of Representatives was replaced as part of the reforms to which the king agreed; as a result, the regime has less ability to maneuver and influence decisions than it enjoyed in the past. Prior to the prime minister's resignation, the speaker of the House of Representatives recommended that the king convene a special session after the draft law was voted down. This occurred after 90 of the 130 members of the House of Representatives announced that they would vote against it. It is difficult to remember another situation in which the Jordanian House of Representatives thwarted the adoption of a government economic policy that had undoubtedly been approved by the king.

The resignation of Prime Minister Hani al-Mulki may calm the situation in the short term, but it will not mitigate the fundamental problem with which the king and any prime

minister appointed will be forced to contend: How Jordan will extricate itself from the vicious cycle of accumulating debt and a diminishing ability to repay it. The solution for the short, medium, and long term lies both partially with Jordan and the international community. Across its demographic and economic spectrum, Jordan has no alternative that does not involve the elements of the remedy of the International Monetary Fund. Although the implementation of the International Monetary Fund's policy can be spread out over a long period of time, there is no other magic solution. Jordan's unions of the physicians, engineers, and attorneys also have no other radical solution, and in the dialogue they are conducting with the king and the new government, it can be assumed that they will reach compromises that do not deviate significantly from the remedies prescribed by the International Monetary Fund.

The international community, of course, has a major role to play in healing Jordan's economic situation. The oil-producing Arab countries, on their part, have a clear interest in preserving Jordan's stability. Despite the steep drop in oil prices from more than \$100 per barrel to its current price (less than \$70 per barrel), these countries could resume their multi-year financial aid to Jordan (in 2011, the Cooperation Council for the Arab States of the Gulf decided to grant Jordan \$5 billion over a five-year period). Other organizations have granted aid to Jordan to ease its absorption of Syrian refugees, given the increasingly apparent reality that they are unlikely to return to their home country in the foreseeable future. Therefore, the international community needs to prepare permanent solutions for the refugees in their current places of domicile and in this framework to increase aid to the absorbing countries, including Jordan.

Israel has a great interest in preserving the stability of Jordan and its ruling regime. Despite Jordan's public conduct in the international arena regarding the Israeli-Palestinian conflict, which is irritating as far as Israel is concerned, it is important to remember Jordan's direct and indirect contribution to Israeli security, which in recent years has served as a buffer zone between Israel and ISIS. Israel can assist Jordan's economy and budget, for example, by importing agricultural and industrial products, such as mortar, from Jordan. On a larger scale, Israel can reduce the cost of the water it sells to Jordan, transport some of its exports to the Far East via Aqaba, and demonstrate a willingness to purchase solar electricity from Jordan. Tourism is an important source of income for Jordan, and a field in which Israeli-Jordanian cooperation could increase the number of tourists visiting the region.