IAI COMMENTARIES 18 | 44 - AUGUST 2018
ISSN 2532-6570

Istituto Affari Internazionali

Jordan's Protests and Neoliberal Reforms: Walking on Thin Ice

by Stefania Sgarra

For over a week, between 30 May and 7 June, thousands demonstrated across Jordan against worsening living conditions and rising prices. Protests were sparked by a series of economic measures, including price hikes and a promised income tax reform, as the authorities struggle with worsening economic indicators and growing debt.

Often portrayed as an island of stability in an increasingly conflictual region, Jordan is no stranger to social unrest. Over time, socio-economic challenges and ethnic cleavages, along with external pressures and conflict, have triggered repeated outbursts of popular discontent.

While largely peaceful, the latest demonstrations stand as a testament to the difficult balancing act facing the Jordanian monarchy, which has traditionally walked a tightrope between internal legitimacy and foreign support. Surrounded by conflict and crises, Jordanian authorities have thus far managed to weather much of the storm, and yet, its economy remains particularly exposed to foreign pressure and international volatility.

To remedy the country's long-term economic standing, Jordan turned to the International Monetary Fund (IMF), negotiating a three year 723 billion dollar loan in 2016 aimed at spurring growth while tackling rising debt. Under the terms of the agreement, Jordan has committed to subsidy reductions, sales tax increases and other austerity measures, in an effort to slash government debt from the present 94 per cent of GDP to 77 per cent by 2021.[1]

[1] See, "Jordan: Thousands Protest Against IMF-backed Austerity Measures", in *The Guardian*, 3 June 2018, https://gu.com/p/8m4y5; and Annette Ranko et al., "#JordanStrikes. Protests and Government Change in the Hashemite Kingdom", in *KAS Country Reports*, June 2018, http://www.kas.de/wf/en/33.52960.

Stefania Sgarra is a MA student in International Relations at the University of Bologna and a former intern at the Istituto Affari Internazionali (IAI).

IAI COMMENTARIES 18 | 44 - AUGUST 2018 ISSN 2532-6570

The recent protests were sparked by a proposed tax reform that would have lowered the income threshold of tax exemptions for individuals and families.[2] The government then threw gasoline on the fire by further increasing fuel and electricity prices the day after a group of trade unions and professional associations called a general strike against the income tax reform.[3]

While the government immediately walked back the price hikes, protests snowballed, spreading throughout the country until Jordan's King, Abdullah II, dissolved the cabinet, ousting Prime Minister Hani al-Mulki. The unrest continued until the new Prime Minister, Omar al-Razzaz, formally announced the withdrawal of the income tax law on 7 June. In this sense, the crisis highlighted the poor conditions of parliamentary politics in Jordan. Since 2011, the Jordanian monarchy has reshuffled cabinet posts and ministers repeatedly, with little regard for popular preferences.

As happened in the past, and in particular during the wave of popular demonstrations that spread across the Middle East and North Africa in 2011, Gulf countries rushed to provide the Jordanian monarchy with economic support. At the time, Saudi Arabia and other Gulf countries set up a 5 billion dollar fund for Jordan and Morocco over five years.[4] Today, a fresh commitment was advanced by the Gulf: 2.5 billion dollars was pledged to Jordan by Saudi Arabia, the United Arab Emirates (UAE) and Kuwait, together with a further 500 million dollars by Qatar.[5]

Compared to 2011 and a flurry of minor protests since, those of 2018 witnessed a much greater participation from various sections of society. Moreover, the capital Amman emerged as the main locus of the protests, with peaceful marches going as far as the Fourth Circle, where government buildings and the PM's residence are located.

The geographical reach of the protests is connected to the wider participation of young middle classes, less animated by the ideological divide that hampered previous protests, particularly those in 2011. Motivated by growing exasperation for the lack of social mobility, corruption, cronyism and a deteriorating economy, Jordan's urban middle class participated in mass, raising considerable concern among the authorities.[6]

[2] The proposed hikes included a 23.5 per cent increase in electricity prices and between 4.5 and 5.5 per cent increase in fuel derivatives. See Annette Ranko et al., "#JordanStrikes", cit.

[3] "Protests Take More Serious Turn Friday Night Against Income Tax Law, Fuel Price Hikes", in *The Jordan Times*, 2 June 2018, http://www.jordantimes.com/node/307639.

[4] "Gulf States Approve $5 Billion Aid to Morocco, Jordan", in *Reuters*, 20 December 2011, https://www.reuters.com/article/gulf-aid-idAFL6E7NK32D20111220.

[5] Zainab Fattah, "Saudi Arabia, Two Gulf States Pledge $2.5 Billion Jordan Aid", in *Bloomberg*, 11 June 2018, https://www.bloomberg.com/news/articles/2018-06-11/saudi-arabia-two-gulf-nations-pledge-2-5-billion-jordan-aid; "Qatar Extends $500 Million Aid Package to Jordan: Official", in *Reuters*, 13 June 2018, https://reut.rs/2tbpX4v.

[6] Ellen Francis, "Young Jordanians Taste Political Protest for the First Time", in *Reuters*, 5 June 2018, https://reut.rs/2LVaIVP; Rand Sawalha, "Why I Joined the Protests in Jordan", in *Al Jazeera*, 6 June 2018, http://aje.io/8bul2.

As argued by Sarah Tobin, recent neoliberal policies have radically transformed the modes of social organization in Amman. A growing number of service-sector workers, students and government employees are coalescing around the paradigms of a "cosmopolitan society" centred around the many malls and cafes that have mushroomed across the city. Traditional family and geographical ties are being diluted by a "suburban consciousness" built on a shared background of higher education, Western – and mostly US – cultural references.[7]

The government reaction was consistent with the traditional buck-passing game, seeking to deflect responsibility by pointing to the absence of natural resources, Jordan's location at the crossroads of regional disputes, the refugee burden and the volatility of international markets, particularly in the energy sector. Even if such elements have an impact, a reassessment of the nexus between cause and effect is needed.

For one thing, as Pete Moore rightly posits, "a lack of resources need not [to] be a curse – no more than a glut of resources need be".[8] Jordan's potash and phosphates industry for example, one of the main sources of income for the country, have been marred by a process of privatization, corruption and mismanagement. Jordan's recent neoliberal reforms have effectively benefitted only a small fringe of the population, while reducing investments in social services. Efforts to attract foreign firms have also increased, yet a majority of these tend to employ foreign labour and have therefore harmed local producers and workers.[9]

Two cases in point are the Jordan Gate, a UAE-financed real-estate project built for the most part by non-Jordanian tax-exempted workers, and the Qualifying Industrial Zones whose output is worth 1.3 billion dollars in garments a year but are largely controlled by majority-owned Southeast Asian firms which employ only about 30 per cent of Jordanians.[10]

Due to its strategic position, hosting of thousands of refugees and key importance for regional and international alliance formations, Jordan has also benefitted from generous support from countries seeking to preserve its stability. Aid has not only come from the Gulf, but also the EU and US. Last February, for instance, the White House signed a new 5-year memorandum of understanding with Jordan increasing yearly aid to 1.275 billion dollars.[11] The problem, therefore,

[7] Sarah A. Tobin, "Jordan Arab Spring: The Middle Class and Anti-Revolution", in *Middle East Policy*, Vol. 19, No. 1 (Spring 2012), p. 96-109, https://www.mepc.org/node/1909.

[8] Pete Moore, "The Fiscal Politics of Rebellious Jordan", in *Middle East Report Online*, 21 June 2018, https://www.merip.org/mero/mero062118.

[9] Sarah Ababneh, "Do You Know Who Govern Us? The Damned Monetary Fund. Jordan's June 2018 Uprisings," in *Middle East Report Online*, 30 June 2018, https://www.merip.org/mero/mero063018.

[10] Paul Cochrane, "How Jordan Brought its Economic Woes on Itself", in *Middle East Eye*, 7 June 2018, http://www.middleeasteye.net/node/71504.

[11] US Department of State, *New U.S.-Jordan Memorandum of Understanding on Bilateral Foreign Assistance to Jordan*, 14 February 2018, https://

IAI COMMENTARIES 18 | 44 - AUGUST 2018 ISSN 2532-6570

may not rest only on a shortage of money, but rather in the way these funds have been allocated over time.

Jordan's reliance on foreign funds is also making the country vulnerable to regional and international machinations. The last injection of Gulf money is no exception. Given recent developments in the region, Jordan finds itself between a rock and a hard place, as it seeks to balance popular grievances while not excessively alienating its foreign benefactors.

On the one hand, Jordan will have to navigate difficult relationships with Qatar and other Gulf monarchies currently blockading Doha, as Amman has accepted funding from both sides in the dispute. On the other, the growing covert realignment between Saudi Arabia, Egypt and the UAE vis-à-vis Israel will also add to the Jordanian monarchy's troubles, particularly in the wake of Trump's unilateral recognition of Jerusalem and apparent disinterest in even the most basic Palestinian demands.

Jordan's close alliance with Washington, a key tenant of the country's strategic posture, may also result in complications, not least in light of Jordan's Palestinian-majority population and recent discussion of Trump's so-called "ultimate deal" for the Israel-Palestine conflict.

While no doubt worrisome, the recent protests should not be construed as signalling an impending collapse of the Jordanian monarchy. The latest bailout from the Gulf has no doubt given Jordan some breathing room. Yet, the country's many structural challenges persist, and the authorities, as well as key foreign and regional allies, would do well to measure their engagements carefully.

An increasingly restless middle class may represent an element of destabilization in the event of a further worsening of economic trends. No quick fix solutions exist, and Jordan is therefore likely to continue its difficult tightrope walk as it navigates the minefields of the contemporary Middle East.

Nonetheless, without a credible effort to readdress some of the imbalances caused by an excessive drive towards privatization and neoliberal reforms, it will not be possible to break the vicious cycle between growing debt, anaemic growth and increased borrowing needs abroad. Such a strategy may succeed in keeping the country afloat, but just one step away from the brink.

1 August 2018

www.state.gov/r/pa/prs/ps/2018/02/278318.htm.

IAI COMMENTARIES 18 | 44 - AUGUST 2018 ISSN 2532-6570

© 2018 IAI

ISSN 2532-6570

IAI COMMENTARIES 18 | 44 - AUGUST 2018

Istituto Affari Internazionali (IAI)

The Istituto Affari Internazionali (IAI) is a private, independent non-profit think tank, founded in 1965 on the initiative of Altiero Spinelli. IAI seeks to promote awareness of international politics and to contribute to the advancement of European integration and multilateral cooperation. Its focus embraces topics of strategic relevance such as European integration, security and defence, international economics and global governance, energy, climate and Italian foreign policy; as well as the dynamics of cooperation and conflict in key geographical regions such as the Mediterranean and Middle East, Asia, Eurasia, Africa and the Americas. IAI publishes an English-language quarterly (*The International Spectator*), an online webzine (*Affarinternazionali*), two book series (*Quaderni IAI* and *IAI Research Studies*) and some papers' series related to IAI research projects (*Documenti IAI*, *IAI Papers*, etc.).

Via Angelo Brunetti, 9 - I-00186 Rome, Italy
T +39 06 3224360
F + 39 06 3224363
iai@iai.it
www.iai.it

Latest IAI COMMENTARIES