Political Economy

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Jordan's survival and emergence as a stable and peaceful country have surprised many observers. Since its creation, this small desert kingdom has been regarded as less powerful, less capable, and less significant than almost all other states in the Middle East. Most of these observations have been predicated on an assessment of Jordan's political and military standing in the region. A complete evaluation of contemporary Jordan needs to take into account its political economy—indeed doing so might help to explain just how it has managed to grow into the established state that it is, albeit one that still faces many developmental and security challenges. Jordan is an important country, and it offers a fascinating case of how modern global political and economic processes interact with local political economy to shape individual states/markets. It is a small country by most interpretations and faces immense structural limitations, yet under King Abdullah II (as under his father, the late King Hussein) Jordan endures as its political economy evolves in response to an ever-dynamic set of challenges.

This chapter first discusses relevant concepts used to explain the most common challenges and limitations to Jordan's economic development. This allows us to contextualise the discussion on the critical features of Jordan's political economy in the twenty-first century. It then outlines

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how national policymaking is made in Jordan and how this is impacted by and in turn impacts on the main political and economic issues facing the kingdom. As a discussion of the political economy of modern Jordan would not be complete without considering energy insecurity and freshwater scarcity, the chapter then turns to these areas. Energy insecurity and freshwater scarcity demonstrate a great deal about the nature of Jordan's political economy, representing Jordan's most pressing security concerns and demonstrating the state's pragmatism in its policy responses to developmental challenges. It then moves on to a discussion of the embedding of economic neoliberalism, led by the government and King Abdullah II in particular. Neoliberal policies have become prevalent in Jordanian decision-making circles and have transformed Jordan's political economy. Final thoughts on Jordan's prospects conclude the chapter.

Structural Challenges and Limitations to Development

For the most part, Jordan is generally regarded as a small state, and this often leads to assumptions about its economic, political, and military capabilities. Usually, this means that Jordan is a vulnerable and rather weak state that has limited domestic capacities and is primarily restricted in its ability to act on the international scene. It is essential to note that there are several ways of defining *smallness* in the context of states, and there are many competing approaches to identifying which states should be classed as small, and different ways of explaining what this means for their behaviour. One can distinguish two broad categories that are relevant to a study of the political economy of Jordan. In the first instance, scholars working in various fields, including international relations, international political economy, comparative politics, and security studies, have used material realities-based methodologies to define smallness. Here, the nature of a state is measured by focussing on observable factors such as the size of a country's territory, its overall population, size of its gross domestic product (GDP), number and technological advancement of military forces, and so on. Using this approach, one can conclude that Jordan is a small state. Jordan's total sovereign territory is only 89,341 square kilometres (for comparison, the entire sovereign territory of the US is 9,833,520 square kilometres). At the end of 2017, Jordan's population is approximately 10 million (including significant numbers of Syrian and Iraqi refugees that may add up to 1.5 million), and its GDP is approximately US$39.5 billion—only good enough to rank 91st out of 191 countries according to the International Monetary Fund (IMF). The World Bank classifies Jordan as a lower middle-income country, as is demonstrated by its relatively low US$5092 per capita income (which has remained mostly unchanged since the 2008–09 financial crisis). The Jordanian Ministry of Defence states that the Jordan Armed Forces total a little over 110,000 active personnel with approximately 65,000 personnel in reserve. Furthermore, Jordan's military capabilities are modest in terms of its equipment, although Jordan is well-regarded in the region for its counter-terrorism expertise.

The second approach to assessing smallness focuses on non-material factors including the discursive roots of smallness and the social constructs of what this means for national capabilities. Here, how national characteristics (including the material realities mentioned above) are identified and interpreted is important. If Jordan is compared with Israel using a material realities-based approach, for example, one might regard both as small states (Israel is, after all, far smaller geographically at 20,770 square kilometres and has a population of less than 9 million), yet it appears far more confident and internationally capable in its policymaking. Jordan is a small state, not necessarily because of its small geographical size, population, and economy. It is a small state because these material realities are perceived by Jordanian decision makers (and perhaps the broader population) as posing significant challenges to its development and as placing severe limitations on what Jordan as a national polity and market can achieve. Any consideration of its political economy must take this into account alongside the following structural challenges.

Jordan possesses minimal reserves of almost all of the natural resources that are essential for a modern economy to thrive. Created out of a mostly empty and barren stretch of land between the Syrian Desert and the Arabian Peninsula, this small kingdom has had to rely on supplies of fuel, food, chemicals, and metals among other products from external sources. Unlike all of its neighbours (apart from Palestine) which possess significant amounts of crude oil and/or natural gas, no such reserves have ever been found in Jordanian territory—an unfortunate and unintended outcome of how Jordan's borders were formalised under the UN mandate (Joffé 2002). Therefore, the country has had to rely on the importation of approximately 97 per cent of its energy demands from neighbouring countries throughout its history. Recent imports of oil and gas have tended to cost Jordan approximately US$3.5 billion per year—the government is the initial purchaser of fuel, which it then sells on to the domestic market.

Crude oil, totalling approximately 108,000 barrels per day, has traditionally been imported from Iraq, Saudi Arabia, and Kuwait (with Iraq being the most significant supplier of oil in the 1990s and early 2000s until Iraqi production was halted after the US-led invasion and occupation). In more recent years, natural gas from Egypt has formed the mainstay of Jordanian energy imports and has amounted to 2.72 billion cubic metres per year. Energy security and its role in the broader political economy of Jordan are discussed further below.

Perhaps the most pressing resource scarcity faced by Jordanians is the lack of freshwater (Cammett et al. 2015, pp. 199–229). The UN designated freshwater poverty line is 1000 cubic metres per person per year, yet Jordan only possesses 123.4 cubic metres per person per year of renewable freshwater resources. In other words, the amount of renewable freshwater supplies available for drinking, food production, industry, and household use is not enough to maintain a high quality of life. The UN's Food and Agriculture Organisation ranks Jordan as one of the five most freshwater poor countries in the world. Most precipitation and all of the major river systems (for example, the Jordan River) are found in the north-west of Jordan, and approximately 85 per cent of Jordan's territory receives very little or no rainfall at all. This limits the amount of arable land available for use, and that which is available is increasingly being lost to urban sprawl (with the majority of people living in Jordan found in the north-west, mainly because that is where the limited freshwater sources are located) and degradation due to overuse and pollution. Industrial production is also hindered by the lack of available freshwater for manufacturing processes.

An oft-overlooked or downplayed structural limitation to Jordan's development is unemployment *and* underemployment. The official unemployment rate recorded by the Jordanian government is 16.5 per cent (2017) of the total working-age population. This is a relatively high rate in itself and results in two profound and seemingly insurmountable problems. First, a significant proportion of the population is unable to earn a living wage to support themselves and their dependents which hinder efforts at both poverty alleviation and human development. And second, it means that the Jordanian labour market is saturated which drives down salaries—this inescapable fact is evident around the world where there is a surplus of labour. One can also question the official government figures on unemployment as it may be advantageous to report lower than real levels of unemployment as observers in Jordan form opinions on governmental performance. Unofficial estimates put the unemployment rate at closer to 30 per cent.

Furthermore, the problem of underemployment is rarely considered and is not often reported. Out of the 83.5 per cent of the working-age population (2017) that are regarded as being employed, a significant number (although no official figures exist) are likely to be employed in only seasonal, casual (day-to-day), or part-time work, meaning they have little job security, and more often than not, meagre incomes. These dual problems of unemployment and underemployment are compounded by the lack of social welfare in Jordan. The government does not offer those who are unemployed, for example, sufficient support, and because of the very constrained national budget, as Jordan has long run a budget deficit, which in 2017 stood at US$2.653 billion, equivalent to 6.5 per cent of GDP. In other words, the Jordanian state is not rich enough to provide its citizens with a sufficient social welfare safety net. Unemployment and underemployment pose even more serious obstacles to development when, in 2017, the age of approximately 55 per cent of the population was recorded as below 25 years, and unemployment and underemployment are most prevalent in the 15–30 year age range. Jordan has an expanding, young, and educated population that faces increasingly inadequate avenues for employment.

Poverty in Jordan is an enduring problem, with 2017 estimates suggesting that 14.2 per cent of the population lives below the poverty line (which the World Bank puts at US$1.90 per person per day). Again, this already high figure is likely to be slightly conservative. A significant proportion of Syrian refugees in Jordan are unlikely to be recorded in official surveys of household poverty, for example. A large proportion of the population remaining below the poverty line leads to significant structural limitations of the economy. In the first instance, those living below the poverty line are primarily restricted from developing their human capital, for example, by not having access to suitable education and training. Furthermore, a substantial proportion of the population lives just above the poverty line and can be severely impacted by economic turbulence both at the domestic level and in the broader global economy. This happened in the aftermath of both the 1989 Jordanian financial crisis and the 2008–09 global financial crisis and recession, where spikes in households living below the poverty line were witnessed.

Since the 1970s, the government has attempted to reduce poverty levels, but Jordan has an enduring budgetary deficit problem leaving little resources to combat the root causes of poverty effectively. The government's budget has been further affected by the adoption of neoliberal economic policies and their accompanying macroeconomic structural adjustments (such as cutting subsidies on basic foodstuffs and fuel). They have been driven both by domestic factors (King Abdullah II, for example, has been supportive of Washington Consensus neoliberal economic policies) and external forces (for example, the IMF and World Bank which have supported the Jordanian government financially since 1989 but have demanded wide-ranging reforms in return that focus on reducing government expenditures).

Jordan's situation is also problematic due to its persistent trade deficit which it has experienced for much of the past few decades. Since 2000, each year has seen a significant deficit in Jordan's current account with year-on-year growth in this deficit seen between 2002 and 2014. Increases in hydrocarbon prices, as well as many consumer prices on the global market, have seen Jordan's trade deficit climb to over US$8.05 billion in 2016, up from US$2.26 billion in 2000 (see Table 1 below). These two deficits (budget and trade) have been offset to an extent by official external aid and grant support coming from donor states and international organisations. This form of external income has grown from US$550 mil-

Table 1 Macroeconomic indicators (budget deficit, trade deficit, and external aid and grant income)

Year	*Budget deficit (percentage of GDP)*	*Trade deficit (US$ billions)*	*Aid and grant income (US$ billions)*
2000	+1.14	–2.26	0.55
2001	+1.04	–2.25	0.45
2002	–0.67	–1.83	0.56
2003	+1.41	–2.14	1.32
2004	+1.49	–3.4	0.6
2005	–2.79	–5.15	0.71
2006	–4.2	–5.01	0.57
2007	–5.1	–6.31	0.63
2008	–2.2	–6.53	0.73
2009	–8.9	–5.4	0.74
2010	–5.6	–5.49	0.95
2011	–6.8	–7.56	0.97
2012	–8.3	–8.67	1.58
2013	–5.5	–9.94	1.4
2014	–2.3	–9.46	2.7
2015	–3.5	–8.6	2.15
2016	–3.2	–8.05	2.74

Source: World Bank Data Bank; IMF; Government Finance Statistics Yearbook lion in 2000 to over US$2.74 billion in 2016 (growth that has somewhat mirrored the government's growing budget deficit). The US is the largest donor to the Jordanian government with US aid totalling US$1.522 billion in 2017 (the US aid to Jordan has consistently topped US$1 billion in recent years). Overall, the twin deficit problem coupled with high levels of foreign assistance has increased Jordan's dependence on external actors for its economic well-being.

Political and Economic Policymaking in a Reformist Monarchy

Since independence, Jordanian politics have ebbed and flowed in different directions with national interests, national institutions, foreign and domestic policies, and the politics of decision-making changing over time. In some ways, governance in Jordan has also been remarkably consistent. King Abdullah I (ruled 1946–51) oversaw the emergence of Jordan as an absolute monarch (Salibi 1998, pp. 73–91), but governance in the early era was also characterised by an appreciation of the importance of dialogue with established communities (namely the East Bank tribes and small Circassian community centred around Amman) that would come to form the backbone of monarchical support (Ryan 2002). By no means did engaging with local communities equate to a transparent and accountable government, although Jordan did have a functioning parliament in the 1940s and 1950s which had, by the regional standards of the time, relatively significant powers and functions.

Governance has continued to reflect this original structure, and since the late 1980s, in particular, the Jordanian government has engaged with political reforms aimed at satisfying an increasingly restless and demanding population that seeks greater governmental accountability and greater representation for the masses. These attempts at *democratisation* (there are many forms of democratic governance, and the Jordanian conception of democracy may differ to that of other communities) have had a mixed record and have taken place at varying speeds and with significantly different levels of governmental sincerity. In 1989, for example, in the wake of the most damaging economic downturn in Jordan's history up to that point King Hussein orchestrated essential reforms allowing for the legalisation of more political parties, the holding of free and fair elections, and the re-establishment of parliament. However, these reforms were almost entirely rolled back by the mid-1990s in the wake of the Iraqi invasion of Kuwait on 2 August

1990, the subsequent UN-sanctioned war to liberate Kuwait in 1991, and the emergence of the Palestinian-Israeli and broader Arab-Israeli peace process. These events had a galvanising effect on large parts of Jordanian society which subsequently meant that politics in Jordan became less predictable. Under these circumstances, King Hussein and most of those in government argued (Robins 2004, pp. 187–190) that greater political stability was needed to steer the country through such a difficult time.

By the time King Abdullah II ascended to the throne in February 1999, there was once again significant pressure from the street for political reform that would allow for ordinary Jordanians to participate in governance at the local and national levels. King Abdullah II has been regarded as a *reformist* leader who has pursued political reform. However, his democratic credentials have not been free from criticism and observers have claimed that under his reign Jordan has at best formed a democratic façade, and at worst, become an entrenched police state with the discourse of political reform used to placate external backers like the US and European Union members (Ryan 2014). King Abdullah II inherited a kingdom that, for the first time since the 1940s, had engaged in political reform (during 1989–91) and which had a population that had gained significant experience in civil society activities through the 1990s. Given the domestic and international political and economic challenges discussed above and later in this chapter, political reform in Jordan has faced many obstacles and there has been a great deal of uncertainty in Jordanian politics.

As stated above, one can identify some consistencies in governance in Jordan. In particular, virtually since independence, budgetary stability has been directly tied to regime survival. In short, securing sufficient funds to pay the government's bills year-on-year has perhaps been the most immediate consideration of consecutive governments and the monarchy itself (Brand 1994). It is quite easy to argue that socio-economic interests have been subservient to more traditional notions of national security, regime survival, and regional stability. However, it is more accurate to note that—especially given the accelerating processes of globalisation, regional economic transformation, and the changing socio-economic characteristics of society itself—the regime has long been focused on political economy-oriented domestic and foreign policymaking that has at its heart, budgetary security and regime survival. Directly informing these two considerations are energy security, freshwater security, and the modernisation of the Jordanian economy through the creation of a *business-friendly* and competitive environment.

Energy Insecurity and Policy Responses

Jordan's lack of resources has made it energy insecure. Soon after King Abdullah II ascended the throne in 1999, the government began to formulate policies to diversify its energy supplies by importing its fuel needs from several sources at one time, rather than maintaining the long-standing policy of relying on bilateral agreements with neighbouring states. This change in policy has mostly been unsuccessful. Iraq through the 1990s, for example, supplied Jordan with almost all of its crude oil needs at heavily discounted prices well below market prices in return for Jordanian political and economic support. Aqaba, Jordan's only port, for example, was used as the main entry point for goods destined for the Iraqi market while Basra, Iraq's main port, was inoperable.

Jordan's energy vulnerability stems not only from its lack of domestic energy sources but also from its over-reliance on single external sources in which the Jordanian government has had very little ability to influence the stability of its energy supplies. The government vociferously protested against the build-up to the 2003 Iraq war on humanitarian and legal grounds. At the same time, rather quietly, but more whole-heartedly, it protested because such a war would likely severely damage the Jordanian economy, not the least through cutting off its energy supply and forcing consumers in Jordan to pay global market prices for fuel. Of course, the government was unable to affect the outbreak of the war, and the economy was subsequently negatively impacted by soaring fuel bills.

Within a few years, the government had signed an agreement with Cairo for the purchase of Egyptian natural gas in large quantities through the so-called Arab Peace Pipeline that runs through the Sinai Peninsula and branches out to Israel and Jordan. The government also invested heavily in converting Jordan's power plants from oil-based to gas-based power generation.

But this attempt to switch from Iraqi oil to Egyptian gas also proved fragile and did little to alleviate Jordan's energy insecurity. The preferential agreement signed between Jordan and Egypt came under heavy scrutiny following the fall of the Mubarak regime in February 2011. At the heart of the matter was the concern Egyptians had about the fact that Jordanians were paying less for Egyptian gas than Egyptians themselves were being charged. Through the first half of 2011, the Jordanian and Egyptian (transitional) governments sought to renegotiate the terms of the agreement, concluding in July 2011 a new deal stipulating that Jordan would receive supplies of Egyptian gas for 12 years, but at a higher price than had been agreed in the previous treaty. However, Jordan's vulnerability to external shocks was once again demonstrated following the new agreement when a series of bomb attacks on the gas pipeline in the Sinai Peninsula led to persistent halts in gas supplies to Jordan—which the government estimated cost the economy upwards of US$3 million for each day that the supply was shut off. Since 2012, Egyptian natural gas supplies have been somewhat more stable, but confidence in Egypt as a stable supplier of energy has dwindled because of instability in the Sinai Peninsula which has repeatedly hindered gas supplies through the pipe network there. The post-2011 Egyptian governments' reneging on previous agreements encouraged the Jordanian government to pursue other ways to secure its energy needs.

Jordan's experiences of the Arab Spring in 2011 also affected energy security. While Jordan did not face the same levels of instability experienced in Tunisia, Egypt, Libya, and Syria, the pro-democracy/opposition movement did place sufficient pressure on the government to encourage it to act on political and economic reforms. King Abdullah II was compelled to engage in serious dialogue with a wide range of segments of Jordanian society. At the very centre of the Jordanian Arab Spring experience was the demand for better living conditions, better pay, more jobs, and a better general economic situation. These demands remain and are evident in the concerns of ordinary Jordanians is the rising price of food and fuel. The government finds itself between the proverbial rock and hard place, faced with pressure for lower fuel prices (from electricity to fuel for cars) from a restless population, and the high cost of externally-sourced fuel.

King Abdullah II views securing Jordan's energy supplies as of the greatest importance. He has consistently directed the government to develop policy responses that will ensure Jordan has stable, reliable, and reasonably priced supplies of energy for the long-term (El-Anis 2016, pp. 528–547). The resulting policy direction has been to develop domestic sources of energy. Jordan is hugely resource scarce and does not possess any crude oil and has negligible reserves of natural gas. While there are some supplies of shale oil, estimated at over 65 billion tons, these are currently not readily recoverable in large quantities at viable prices. Renewable energy initiatives have been developed and both the public and private sectors have shown some encouraging signs; for example, in November 2017, the government coordinated with the German government to oversee the completion of the world's largest solar power plant within a refugee camp. When the 12.9 megawatts solar plant became operational, the Zaatari refugee camp housed over 80,000 Syrian refugees. In the same month, the technology group Wartsila signed an agreement to build Jordan's largest photovoltaic solar plant—a 52-megawatt plant just to the East of Amman. Overall, renewable energy is set to constitute 10 per cent of Jordan's total energy mix by 2020.

Wind energy is still in relative infancy, but there are plans to expand on the country's three current wind farms. These are located at Ibrahimya (a 0.32-megawatt plant 80 kilometres north of Amman), Hofa (a 1.125-megawatt plant 92 kilometres north of Amman), and Tafila (a 117-megawatt plant south of the Dead Sea that provides energy for approximately 83,000 homes). Solar power in Jordan is more developed with many smaller settlements and rural communities using off-grid photovoltaic systems for household use (for example, electricity, water pumping and heating) and a substantial number of private and public residential and business buildings are equipped with solar water heating systems. Highlights from the government's current Energy Master Plan include a plan to ensure that up to one-third of all residences in Jordan will have solar water heating systems by 2020; all mosques in the country are to be fitted with solar panels; and seawater desalination using solar power will be established.

Even though Jordan's renewable energy sector is expanding, King Abdullah II has strongly advocated the development of nuclear energy to meet Jordan's needs in the coming decades. The atomic energy policy began in earnest on the 1 April 2007 with the announcement by then-Energy Minister Khaled Sharida that Jordan was going to tender bids to build its first nuclear power plant to produce electricity. The programme has since developed a pace and the government now plans to build five nuclear reactors by 2040. Committee for Nuclear Strategy established in 2007 plans for nuclear energy to account for 30 per cent of the total energy mix by 2030, but with current production plans and estimations for energy demand, Jordan could produce almost half of its electricity demand in the coming decades by nuclear power. By 2019, however, Jordan's nuclear energy programme was suspended despite significant progress being made in its development.

In 2015, the government signed an agreement with the Russian government to contract the latter's Rosatom State Nuclear Energy Corporation to build a US$10 billion twin-reactor power plant. The plant is set to be completed by 2025 at which point it will supply Jordan with 2000 megawatts of electricity (out of an estimated total demand of 8000 megawatts). The nuclear energy programme was buoyed by the discovery of at least

40,000 tons of uranium ore in central Jordan (a figure that the Jordan Atomic Energy Commission estimates may be as high as 300,000 tons). It was anticipated that the excavation of this ore along with the operation of nuclear power plants could make the country more energy independent and secure by not having to rely on external sources of energy entirely.

Freshwater Scarcity

As mentioned above, resource scarcity is a fundamental feature of Jordan's political economy, and freshwater scarcity is the most pressing issue facing Jordanian decision-makers and ordinary citizens on a daily basis. Jordan's freshwater supplies stand at approximately 1.62 billion cubic metres per year of internal and external renewable freshwater which equates to 123.4 cubic metres per person per year (down from around 164 cubic metres in the mid-2000s). Freshwater scarcity is worsened by the fact that the limited available resources are, for the most part, not sovereign and are instead shared with neighbouring states. The Jordan River system, for example, is one of the most significant above-ground sources of freshwater and is shared with Israel and Palestine. The river's over-use upstream has reduced its flow downstream to the extent that, by August each year, it virtually dries up before it reaches the Dead Sea. Since the 1960s, rapidly growing demand due to population growth and increased agricultural and industrial activity has resulted in the River's over-exploitation (Venot et al. 2008, pp. 247–263). For Jordan's part, the creation of a series of dams on the smaller tributaries has unsustainably reduced the size and flow of the River and contributed to the lowering of the Dead Sea by up to a metre per year. This experience is being repeated across Jordan where above-ground and below-ground freshwater resources are being unsustainably exploited.

The government does seem to acknowledge that current practices are leading to the exhaustion of available freshwater sources (many of which are non-renewable) yet given the severe shortage of this resource and the already well-below global average consumption of freshwater, there seems little option but to seek ways of making freshwater consumption more efficient and finding alternative supplies. Through the Ministry of Water and Irrigation, the government has developed a set of policy responses to its freshwater scarcity problem. Some policies are entirely domestic in focus and centre on increasing efficiency of use and maximizing the availability of existing freshwater sources in Jordan. These have a direct impact on both household and private sector consumption practices. For example, since the mid-2000s, the government has increased efforts to improve wastewater management and reuse. By collaborating with national and foreign private sector actors, the government has developed the use of modern technologies to collect and treat wastewater from urban, industrial, and domestic use. The Wastewater Management Policy calls for the use of treated wastewater rather than unused freshwater for agricultural and industrial processes, freeing up higher quality freshwater sources for domestic and urban use.

In a similar approach to Jordan's energy security problems, the government is also developing long-term and large-scale infrastructural projects to increase its freshwater supply. Central to these plans is the principle of maximising sovereign control of these freshwater sources. Two central tenets are evident in these plans: first, the exploitation of large underground aquifers, and second, desalination of seawater to produce freshwater. In the case of the former, the Disi Aquifer water conveyance project is useful to consider. The Aquifer is in the south of Jordan and stretches underneath the border with Saudi Arabia. It is an ancient fossilised aquifer and Jordan's share, as agreed with Saudi Arabia, is an estimated 2.2 billion cubic metres of freshwater. The conveyance project was inaugurated in 2013 and consists of a pipeline system with pumping stations to take the freshwater from the south up to Amman and its surroundings. The project cost over US$1.1 billion to complete and supplies Amman with 100,000 cubic metres of freshwater per year. Turkey's GAMA, a large private sector construction firm, constructed the project given a lack of technical know-how and capabilities in the Jordanian private sector. It must be noted that as a fossilised aquifer and a non-renewable source, it does not represent a long-term solution to Jordan's freshwater scarcity problem.

The government's focus on desalination of seawater may offer a more sustainable response. As part of the 1994 Treaty of Peace between Israel and Jordan, an integrated plan for the development of the Jordan Rift Valley was agreed upon. This plan included the creation of a water conveyance system to take seawater from the Red Sea at the Gulf of Aqaba, desalinate it, and pump freshwater to the primary population centres in Jordan, Israel, and the West Bank. This plan has not materialised; however, there has been a great deal of groundwork completed to date. Feasibility studies have been completed, design plans have been developed, and funding sought. Given the political tensions that remain between Israel and Palestine and the failure to fully normalise relations between Jordan and Israel, the multilateral project has mostly stalled. In its place, Jordan has begun construction of its own, somewhat smaller, desalination facility—the project which involves intake of seawater at Aqaba—with a projected capacity of 65–85 million cubic metres per year, a conveyance system and hydropower plant (to help power the energy-intensive desalination process). While the desalination of seawater will add to Jordan's overall energy demand, the government sees the sustainable domestic production of freshwater as essential to the country's future.

Neoliberal Economic Policies

In the 1970s and 1980s, King Hussein was slightly hesitant to implement neoliberal economic reforms and preferred instead to balance capitalism with a form of Arabist patrimonialism. He was also never focussed on economic policies, dedicating his adept abilities towards foreign policy (Shlaim 2008, pp. 63–64). At times, he played a pivotal role in domestic financial affairs when needed, and he was eventually encouraged to adopt neoliberal economic policies bringing the economy more in-line with global capitalist practices. This move came with the decline of oil prices in the early 1980s and the subsequent economic downturn in Jordan. In the 1980s, much like today, the economy relied substantially on worker remittances, investments, aid, and other forms of financial support from the hydrocarbon-rich Gulf monarchies (Robins 2004, pp. 141–146). When the price of oil declined, so too did the flow of financial resources coming into Jordan from these states.

By 1989, the budget crisis had worsened to the extent that Jordan had defaulted on its international debt repayments leading King Hussein to approve the implementation of a Structural Adjustment Programme (SAP) demanded by the IMF to receive financial support to help Jordan balance its books. This SAP signalled the embedding of neoliberal economic policies, and in effect, King Hussein had set the path towards neoclassical economic policies, and these have shaped the economy ever since. Since 1999, King Abdullah II has deepened economic neoliberalisation, and unlike his father, who approached policymaking in a more creative manner, relying on charisma and his own experiences, King Abdullah II has placed more emphasis on neoliberal economic practices inspired in part by the time he spent being educated and working in the UK and the US before his ascension, and by a range of Jordanian and foreign advisors. Under his reign, successive Jordanian governments have advocated making Jordan a *business-friendly* environment and encouraging businesses to become more competitive to help the Kingdom to modernise, industrialise, and develop into a more prosperous and affluent society.

During the first decade of his reign, King Abdullah II proposed several economic reforms that built on the neoliberal project begun in the latter stages of his father's reign. Since 1999, there have been three main thrusts of neoliberal economic reform pursued in Jordan (Knowles 2005, pp. 163–205); these are, macroeconomic structural adjustment; privatisation of national assets; and liberalisation of foreign trade. The macroeconomic restructuring has been guided by SAPs designed by the IMF and World Bank as part of the conditions for financial assistance to Jordan. These adjustments have allowed Jordan to service its external debt, although overall debt remains high at US$27.72 billion (2017), equivalent to over 86 per cent of GDP. Jordan is committed to reducing its external debts, and under King Abdullah II, further economic restructuring has taken place to pursue this goal.

Unlike the SAP and macroeconomic reforms implemented in the early 1990s which sought economic stability rather than growth, more recent policy reforms have aimed at achieving the latter. Reducing subsidies for food and fuel and replacing them with subsidisation that targets those most in need of it, for example, has allowed the government to reduce its budget deficit while at the same time promote local market growth through higher profits for food and fuel producers. The government has traditionally maintained relatively high rates of subsidisation for fuel (primarily petroleum) and basic foods (in particular, bread, through wheat flour subsidies) for all consumers. In recent years, petroleum subsidies cost Jordan between 6.8 per cent (2007) and 8.8 per cent (2012) of the government budget, while food subsidies have approximately accounted for a further 18.9 per cent (2005) and 3.8 per cent (2010) of the budget.

In early 2018, the government ended subsidies on flour to help stabilise the country's finances. The price of bread products subsequently increased by 60–100 per cent in the first quarter of 2018. Fuel subsidies were cancelled in 2012 helping to lead to an increase of one-third in fuel prices paid by consumers. Previous attempts at liberalising Jordan's government expenditures led to "bread riots" in 1996 and a large number of anti-government demonstrations in 2011–12. The privatisation of government-owned enterprises and service industries has been widespread since the early 2000s and has helped the government to raise revenue to service external debts and to rebalance the role and scale of the public sector in the economy (El-Said and Becker 2001). The Executive Privatisation Commission was established in 1996 to oversee the sale of national assets in several sectors, including construction, telecommunications, transport, energy and agriculture. Among the most important goals of the programme have been increasing efficiency and productivity, attracting FDI (foreign direct investment), and reducing the government's role in the economy to that of a regulator. The privatisation programme has led to over 70 transactions, including the sale of the government's shares in over 50 companies. By the end of 2017, the total proceeds of the privatisation programme are approximately US$3 billion, and total domestic and foreign investment had surpassed US$1 billion.

In addition to designing SAPs, the IMF, World Bank and World Trade Organisation (WTO) have also encouraged the government to liberalise its foreign trade. Free trade has been popular from the King down. Since the late 1990s, Jordan has liberalised its international trade to attract investment, increase Jordanian exports, and reduce domestic consumer prices. King Abdullah II has been a strong advocate of free trade and has overseen six main facets to the government's programme of trade liberalisation; accession to the WTO in 2000; Jordan-Europe Free Trade Association free trade agreement (FTA) of 2002; Jordan-EU Association Agreement (JEUAA) of 2002; the implementation of the 1997 Greater Arab Free Trade Area agreement (GAFTA); Mediterranean Arab Free Trade Area agreement (MAFTA), also known as the Agadir Agreement of 2004; and several bilateral free trade agreements such as the Jordan-USA FTA (2000) (El-Anis 2011), Jordan-Singapore FTA (2004), Jordan-Turkey FTA (2011) and Jordan-Canada FTA (2012). Their impact on foreign trade has been mixed with gains seen in some sectors and with some trade partners (especially increases in textiles and apparel exports to the US, pharmaceutical exports to Saudi Arabia, Egypt and Libya, and increases in machinery imports from Germany, Italy, and the US), little change seen in other cases (for example, Jordan's Association Agreement with the EU has had limited impact with trade remaining under US$4.2 billion in 2007 and US$5.8 billion in 2016), and declines in trade with some partners (for example, trade with Singapore declined from US$132.86 million in 2015 to US$118.3 million in 2016).

On the whole, however, data from Jordan's Ministry of Industry, Trade and Supply shows that Jordan's exports of textiles and clothing, pharmaceuticals, and phosphates have increased dramatically, while its imports of machinery, transportation equipment, and high-tech consumer products

Table 2 Jordanian exports, imports, and trade deficit values (US$) since 2000

Year	*Exports (millions of US$)*	*Imports (millions of US$)*	*Deficit (millions of US$)*
1990	922	2581	1658
1995	1444	3721	2277
2000	1265	4597	3331
2005	4301	10,492	6191
2010	5939	15,562	9623
2015	6757	20,466	13,709

Source: IMF Direction of Trade Statistics database. http://www.imf.org/en/Data

have also increased. Free marketeering has not resolved Jordan's persistent trade deficit problem. It has, perhaps, contributed to it with the Kingdom now running an annual trade deficit of just under US$10 billion in 2017 (Table 2).

Conclusion

Given the challenges facing Jordan's political economy in the twenty-first century, it is safe to say that it will remain a small state that will have to continue to respond to processes which are mainly out of its control. From budgetary insecurity and high unemployment levels to energy security and freshwater scarcity, Jordan's policymakers, as well as the ordinary citizen on the streets, will have to constantly create solutions to problems that are not necessarily of their making. Macroeconomic restructuring and neoliberalisation in Jordan have had mixed results and are not universally popular. While some have benefitted from the economic transformation since the 1990s, many more have been left behind—an experience noticeable around the world, and demonstrated at the national level by Jordan's budget and trade deficits. Poverty levels remain stubbornly high, per capita incomes have stagnated since 2008–09, and Jordan's youthful population is increasingly frustrated and restless due to a lack of job and other opportunities. The scarcity of the most critical resources in Jordan is a long-term challenge and the government's responses entail long-term and large-scale infrastructural projects which will not bear fruit for some time. And even when they do, growth in the demands for energy and freshwater, for example, may have surpassed even the most pessimistic current estimates, leaving Jordan perennially facing insecurity in these areas. With all of these considerations in mind, the political economy of modern Jordan also tells us that it is an enduring country, one that is faced with what may appear to be insurmountable obstacles, only for it to continue to survive and evolve. In some ways, therefore, the story of Jordan's political economy is one of resilience as much as it is one of challenges.

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