Economic Reform in Jordan: Where To?

The Carnegie Middle East Centre – Carnegie Endowment for International Peace

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Welcoming Remarks

Mustafa Hamarneh of the Center for Strategic Studies and Paul Salem of the Carnegie Middle East Center welcomed the participants to the workshop and described the session's goal – to provide analysis and perspectives regarding key aspects of economic reform in Jordan. Foundational questions included:

- To what extent has economic reform been advanced in Jordan?
- What is needed to accelerate the pace of economic reform?
- Have state institutions been able to implement economic reform and handle its consequences?
- What has been the interplay between economic and political reform – have they proceeded independently or is there a direct connection?
- What has been the role of external rents – whether remittances or bilateral aid – on the speed or slowness, the depth or shallowness, of the process of economic reform in Jordan?

Changing Role of the State: Towards a New Social Contract

Ibrahim Saif, Center for Strategic Studies

In the political economy literature Jordan is considered a quasi-rentier state, because it receives a sizeable amount of unconditional foreign aid. The sources of that aid are outside the framework of the national economy and enable the state to expand public spending in a manner incommensurate with the size of the national economy or local tax revenues. This situation resulted in a large public sector, signified by a high number of employees, and spending targeted at the elites in society and their influence.

The private sector in turn was satisfied with this situation, as on one hand the tax burden was low, and on the other hand public sector projects (where the government is the largest employer and the largest consumer) offered a wide range of business opportunities. Additional unofficial relationships were formed between the two sectors based on common interests, a relationship that was not necessarily healthy.

Financial policies regarding taxes were built on the principle of "no taxation, no representation," and as such there were no demands for representation in economic or political decision-making. Local revenue in Jordan does not cover current spending, in the sense that the salaries of public sector workers came from outside the national economy, and this gave economic decision-makers much freedom to act, with the absence of accountability and correction.

Large public spending was expanding effective demand and stimulating the economy, and it was the source of the private sector's operation. In other words, the public sector was the main engine of the economy. No developmental responsibility lay with the private sector. That consensus was born from misperceptions on both sides, the public sector considering the private sector to be a parasite, and the private sector considering the public sector to be a source of livelihood. The other actors in society such as the Parilament and civil society did not have a major role to play.

That situation continued from the mid-1960s to the early 1980s. Then, as external sources of funding started to dry up and there was no correction in public spending, Jordan resorted to external debt, which doubled over ten years, and maintained public spending at the same pace, although it was clear that this would lead to economic disaster. However, the political price of reconsidering public spending programs was greater than what could be borne by state institutions, and thus it was postponed during the crisis.

That pre-1989 period was characterized by economic decisions being limited to certain elites; there was little participation, in the absence of Parliament and civil society actors, except in responding to the interests of certain influential constituencies.

After 1989, continuing in the same path was not possible. Financial policies led to a substantial budget deficit, the industrial and service sectors were not able to export, and inefficient sectors emerged. In addition to the trade deficit, the overvalued exchange rate hurt exports. The result was financial collapse, the loss of confidence in the economy, and the devaluation of the Jordanian dinar.

In response to these challenges Jordan adopted a reform program which was based on reducing the role of the public sector (liberalization and privatization), opening the market to outside competition and encouraging exports, and increasing dependence on domestic revenues.

Such a policy represented a new social contract based on imposing taxes, introducing market values and the elimination of protectionism. This was in contrast to the old contract in which the state guaranteed the provision of social welfare and income support without impinging on citizens to impose taxes. As implementation began through the removal of subsidies on some goods, some resistance to the new social contract was manifested in popular demonstrations that took place in different parts of the Kingdom. These demonstrations signified the need to embark on political liberalization measures to accompany the new economic policies.

As expected there was a strong resistance to new policies that could potentially affect the elite. The reduction of bureaucratic procedures had the potential to limit elite interests, and the groups objecting to reform were in a strong position and could act collectively. The beneficiaries of the reforms, on the other hand, were scattered and marginalized. Although the highest level of the state endorsed reform, the arm (mid-level bureaucrats) that was supposed to implement these reforms was not enthusiastic, and in fact was sometimes resistant to change.

Also there was not a unified position on reforms within the government, and some ministers tried to distance themselves from unpopular decisions which threatened their electoral bases. There was no unanimity on economic trends or arrangements regarding the reform process and priorities. This hesitation showed a lack of seriousness and cast doubt on the government's commitment to economic reform. Moreover, frequent changes of government made it impossible for some ministers to implement their vision in a short period of time. After 1990, Parliament also emerged as an institution that contributed to decision-making breakdowns and sometimes revoking decisions. On the other hand, the role of international institutions (the World Bank, International Monetary Fund, and World Trade Organization) gave great credibility to Jordan's commitment to reform its economic policies.

These were all facets of the first phase of reforms, which covered the period 1991-1996. The second period, which began in 1997, saw the acceleration of the privatization process, less employment in the public sector, more domestic revenue through the sales tax, an external debt under control, and restored confidence in the Jordanian economy.

However, the burden of poverty and unemployment, as well as the deficit, are still challenges that must be addressed.

After years of the economic reform policy the relationship between the public and private sector is still ambiguous. The government has a great desire for unilateral decisions and expanding spending, and perhaps Jordan’s 2007 budget shows the great appetite in the public sector to expand spending. This reminds us that there still exists a quasi-rentier mentality of spending in excess of the local tax capacity. This pattern of expenditure indicates that the economic ideology has not changed, and the adoption of economic reform programs was a response to the economic crisis, not a systemic change in ideology similar to the comprehensive reform programs in the former Soviet Union or Eastern Europe.

In turn, the private sector was not as enthusiastic to invest as would have been required. A large part of the private sector has developed in the state>s care, and it does not enjoy legitimacy, in the sense that what is good for private capital is not necessarily what is in the interest of society (as in the famous saying American saying, “What is good for General Motors is good for America”). Such uncertainty did not contribute to creating an environment conducive to the reach the maximum potential of the private sector, nor did it encourage the private sector to adhere to the social responsibility that accompanied the economic transformations.

In conclusion, the public sector has not abandoned its desire to expand and intervene in the economy pending the advancement of the private sector. The private sector has not filled the void because it also has not enjoyed a satisfying degree of representation in the decision-making process and it enunciates the wish to see the public sector shrinking before it can intervene more actively. The result has been a public sector bearing the slogan of withdrawal but not acting on it, and a private sector waiting for the government’s withdrawal in order to proceed. This will impede the creation of a new social contract, a necessary step if Jordan is to progress in its economic reforms.

The Role of International Organizations in Promoting Economic Reform: The Case of USAID

Jamal Al-Jabiri, U.S. Agency for International Development (USAID)

Back in 1999, Thomas Friedman wrote about the "golden straitjacket" of policies that countries must pursue in order to reform economically: privatization, a balanced budget, lower tariffs, removing restrictions on foreign investment, and eliminating subsidies to state firms. Jordan has come a long way, if not the entire way, towards wearing this straitjacket. There is a general recognition among governments in the region and the Jordanian government in particular that they must limit their involvement in the economy, in order to allow the private sector to expand.

Over the last ten years, the economic reforms in Jordan have caused a huge transformation. While not everything may be rosy, there has been a major change in the way the Jordanian economy operates over the last ten years.

USAID has been quite flexible in its programming, responding to Jordan's needs at any given time. As an example, when the Jordanian government decided to accede to the World Trade Organization in 1999, USAID mobilized the resources needed to support the government in the accession process. This partnership succeeded in introducing the required legislation and creating the appropriate institutions in record time – a very impressive process that USAID was able to support with the required level of resources.

As another example, USAID was able to respond when the government of Jordan decided in 1999 to convert Aqaba into a special economic zone. After the government carried out its feasibility study and decided that it was feasible to convert Aqaba into a special zone, USAID was able to respond with the level of resources required to allow for this conversion. The comparison in investment in Aqaba between 1999 and today speaks for itself; the transformation has been quite impressive.

As a third example, USAID has supported Jordan's privatization process since 1998. USAID developed a grant mechanism with the World Bank where USAID provided the bank with a grant to work with Jordan's executive privatization commission, in order to provide the assistance and support necessary for all the privatization transactions over the last ten years.

While there might be some criticism of the privatization process, the changes and transformation again speak for themselves: privatization has fostered the creation of several large corporations with critical mass to absorb employment opportunities and implement best practices, as opposed to the previous economic model of many family-owned small market enterprises and micro enterprises. Privatization has transformed formerly state-owned firms into dynamic private sector corporations. The privatization process has had a net positive impact on the number of jobs in Jordan.

Some of the privatization programs are public-private partnerships, such as the one to build, operate and transfer part of Queen Alia airport. There has been a $450 million private sector investment to expand the airport and manage it for 25 years. This would have been inconceivable ten years ago. When USAID first talked about providing support for privatization, Jordanians told them that there were many crown jewel enterprises, like potash or phosphate, that USAID should not event think about privatizing. Fortunately, privatization went forward nevertheless and it has helped Jordan's economy.

Ten years ago, there were no sustainable microfinance initiatives in Jordan – but USAID was able to provide assistance to create four sustainable microfinance institutions, which have provided loans to over 100,000 people. Of the businesses receiving loans, 85% are owned by women.

Economic reform may not have reached the required levels to cause the transformation that people want, but the progress has been impressive nonetheless. There are many challenges ahead that Jordan needs to address, but it should be recognized that Jordan has made impressive progress on economic reform and that USAID is proud to have been able to support Jordan's initiatives with the level of support and resources that have allowed this partnership to grow.

Investment in Jordan: Potentials and Challenges
Reem Badran, Kuwait Jordanian Holding Co.

When Jordan started its economic reform in 1989, what was its target and was it achieved? Was the target to provide economic stability and security and to increase the standards of living for Jordanian citizens? Looking back to 1989, and comparing that to Jordan's situation after graduating from a series of IMF-supported programs in 2004, we see several positive changes that have a direct relationship with economic reform.

The Jordanian economy has performed remarkably well in recent years due mainly to far-reaching macroeconomic and structural reforms. Despite shocks from oil prices and an unstable region, growth has been robust, public debt has fallen, and resources have reached an all-time high. High oil prices have influenced Jordan's economic situation, causing inflation to rise from about 2% in recent years to 6% in 2006. Despite the rise in oil prices, foreign debts have decreased and the foreign reserves in the central bank have increased sufficiently to cover more than 5 and a half months of imports. Economic performance remained strong in 2006, and Jordan's GDP is estimated to grow about 6% in 2007. The current account deficit narrowed in 2007, with a slowdown in import growth, stronger exports and increased remittances. Jordan's fiscal situation also improved, with stronger revenue performance. Tax receipts were larger than expected, the decrease of oil subsidies reduced the budget deficit, and grant assistance from Saudi Arabia also helped.

We see positive figures in the 1990s, and also from 2000-2006. But could Jordan have done better? Were these figures lower than expected?

The World Bank's "Doing Business" survey, which measures 175 countries, has shown slippages by Jordan in most areas except trade. Jordan fell from 73 in 2005 to 78 in 2006 in the overall worldwide ranking of "doing business." It fell in areas related to business opening, procedures for investment and business closing, processes for buying real estate, and conveying information. Jordan needs to simplify procedures of starting and closing businesses, improve credit information through a credit bureau law, increase its labor market flexibility through easing hiring and firing, and strengthen basic infrastructure.

Similarly, Jordan has fallen in other areas measured by international competitiveness indices. For example, in the 2006 World Economic Forum competitiveness report, Jordan was ranked 42 out of 117 countries in 2005, and fell to 52 out of 125 countries in 2006, faring negatively on indicators regarding taxation, financing, bureaucracy, its inflation rate, poor infrastructure and frequent changes of government. The Economist Intelligence Unit ranks Jordan 62 out of 82 countries. These indicators are not positive and they do not fulfill our ambitions for Jordan's future.

Unfortunately, with a high rate of unemployment of about 14%, Jordan's economic growth may be categorized as "jobless growth." Moreover, Jordan's growth has not benefited equally all population groups in Jordan, a phenomenon that could be called "ruthless growth." Fortunately, the Jordanian leadership has recognized the importance of social development and is currently implementing policies designed specifically to strengthen the social safety net while not sacrificing the overall thrust of the restructuring program. Official figures show that 1/3 of the population lives in poverty. Poverty and job creation remain Jordan's most important challenges.

Radically upgrading the quality of education and modernizing institutions to support private sector development are needed.

Certain initiatives and programs that have been discussed, such as the National Agenda, "We Are All Jordan," and the national plan for 2004-2006 fulfilled certain targets but there was no clear decision to make these initiatives more effective or actually lead to improving the economic situation in Jordan.

Looking forward, while it will be a great challenge, Jordan has a major chance to jump ahead. There are several initiatives on the table, but we must be very aggressive to accomplish change. There are great opportunities in privatization, greenfields and the potential to expand existing projects. We must uphold transparency, accountability and support for those who are working for reform and we must punish those who slow down our economic development or those who are corrupt. To address these challenges, we must focus not only on regulations and laws, but also administrative processes affecting businesses.

Economic reform in Jordan had some positive aspects, especially at the beginning, but its opportunities have not been fully taken advantage of, especially in the last few years. More needs to be done to establish this reform. Any reform will have some negative aspects for citizens, and so economic reform needs to address major current challenges such as poverty, unemployment, and widening capital flows to cover more Jordanian citizens. So far, economic reform has not improved Jordanian citizens' incomes, and future reforms need to make this a priority.

Rethinking Economic Reform: Confronting Socio-economic Realities

Sufyan Alissa, Carnegie Middle East Center

Jordan has passed through three main phases of reform since 1989. The aims of the first phase, from 1989-1991, were to reduce the budget and current account deficits, control the inflation rate and rebuild the Central Bank's foreign reserves. The second phase, from 1992-1998, continued the process of stabilization and witnessed the implementation of limited structural adjustment measures. During that phase Jordan engaged in a process of trade liberalization, tax restructuring and privatization. The main objective of such measures was to promote export orientation and strengthen the role of the private sector in the economy. Such measures are in contrast to what Jordan had done in the past, namely encouraging import substitution strategy and expanding the role of the public sector in the economy. The third phase, from 1999 through the present, marked a more consolidated reform effort under the new regime of King Abdullah II.

A common feature of all three phases of reform is the limited attention given to social problems affecting Jordanian society, including poverty, unemployment and reduction in the quality of life. Though Jordan has succeeded in a process of privatization, it has not found solutions for major obstacles and challenges such as its dependence on foreign aid and remittances, the budget deficit, inflation, unemployment, poverty, corruption, and the disappearance of the middle class.

Reform in Jordan has suffered from three main limitations. First, reform has been selective, often incomplete, and uncoordinated. On a number of occasions reform has been frozen or its implementation postponed in response to social and political pressure, especially when reform reduced subsidies and privatized state-owned enterprises. This limitation derived from the fact that economic reforms in Jordan have not sufficiently (if at all) addressed socio-political factors that strongly influence economic performance and shape its outcome. It is also linked to rapid changes of Jordanian cabinets during reform periods. The average term of Jordanian governments during the last 15 years has been less than two years. This practice has made cabinets often too hesitant and unmotivated to implement controversial reform programs and to make painful economic decisions. Accordingly, these shortcomings have reduced the credibility of economic reform efforts.

Second, reform in Jordan has not been participatory, and has often been limited to the ruling elite and policymakers. Different stakeholders have not been effectively involved in the reform process. Such a weakness is mainly due to four factors. First, reform has been imposed from the top. It has been initiated and shaped mainly by either international financial institutions or a small group of technocrats close to the royal court. Second, civil society, political parties, and unions in Jordan are weak and their role in supporting or blocking reform is limited. Third, reformers have not been accountable, and the state has only limited institutional capacity to promote participation, make information available, and facilitate the process of debating reform and potential changes. Fourth, Jordan lacks effective and representative channels and networks of communications between the state and society on the one hand, and between the public and private sectors on the other.

The third limitation is that bureaucratic and administrative reforms are often avoided. Even in cases where reform has been initiated, it has proven to be very hard, and the process is very slow and of low intensity. Civil servants' share of total employment remains high at nearly 43 percent and their wage bill represents 58 percent of total government expenditures. Appointments in the public sector are still subject to the use of personal connections and interference by politicians.

Little progress has been made to reform public administration and introduce merit-based recruitment and payment, which would neglect tribal and family affiliations or deny long-established privileges to top-ranking civil servants and politicians.

Any effort at change and reform faced serious resistance in Jordan. Resistance to reforms has been driven by three main groups, with each having a different impact on those reforms. The first group is from the non-privileged who have been negatively affected by reforms, particularly those linked to removing subsidies on basic goods and services. In 1989, for example, riots erupted in several Jordanian cities including Kerak, Ma'an, Tafileh and later moved closer to the capital, Amman, over the government's announcement of price increases in fuel due to removing subsidies. In addition, the decision of the government in 1996 to impose greater reductions in food subsidies sparked what came to be known in Jordan as the "Bread Riots." Thus far, such resistance from unprivileged groups does not exceed untargeted protests and limited riots. The regime has continued its austerity measures, which affect the daily life of these groups. These groups are very weak and their influence in economic reform is very weak because of the absence of civil society organizations and effective political parties (apart from the Islamic Action Front).

The second group consists of the political and economic elite and tribal leaders. Those groups usually resist reforms, especially if such reform touches the public sector and their economic privileges. In Jordan, the political architecture reinforces such resistance to economic reform, and strengthens those groups. In fact, in several cases even some government officials including cabinet ministers distanced themselves from some reform decisions since their bond with their tribes and/or local constituencies are more important for them than their temporary governmental position. This resistance is very influential and destructive to sustain deep reforms in Jordan. It has prevented reforms from being proposed in some cases, blocked changes' implementation, and shaped their outcomes.

The third group is from the government itself, the state and its institutions. For instance, as seen above, the size of the public sector has not significantly changed.

This is because it plays a role in buying and sustaining loyalty to the regime. Thus the regime finds it much easier and affordable to sell state-owned enterprises and privatize assets than to decrease the size of public administration.

Progress is needed in three main areas: public sector performance, public sector accountability and institutional capacity. Improvement in these areas is important to strengthen the incentives, mechanisms, and capacities of state institutions to create a more accountable and inclusive reform process.

With regard to public sector performance, the main concerns are fighting corruption and favoritism, monitoring government spending, reducing the burden of government regulations, and improving the business environment. As for public sector accountability, the space for participation in the reform process is limited, holding policymakers and reformers accountable is rare, and making accurate and timely information on reform programs available to the public is scarce. Two issues within this element need to be addressed: the weakness of civil society and the limited space for public participation in political life. The third element for creating an enabling governance environment is to strengthen institutional capacity to implement deep reform programs and influence their outcomes.

The international donor community has an important role in these efforts. Due to its political and strategic importance, Jordan received large inflows of foreign aid, mainly from the United States and the European Union, averaging $528 million annually over 1990-1999. There is no doubt that U.S. assistance to the people of Jordan has helped on the one hand to improve the human capital and infrastructural capacity in Jordan and on the other hand to ease pressure on the state. However, an assessment of the Jordanian political and economic structure, the socioeconomic challenges currently facing the country, and the U.S. assistance mechanisms suggests that the U.S. could modify its approach to better support the people of Jordan. A more vigorous aid and technical approach to stimulate political and economic reform is vital to any policies and programs for addressing socioeconomic realities in Jordan.

The experience of developing countries teaches us that foreign aid works best in good governance and policy environments. As we have seen, progress is needed in Jordan to improve the governance environment and institutional capacity, including effective governance, anticorruption enforcement mechanisms, and free and fair elections. While overcoming such constraints is an internal and national duty for Jordan, the donor community should take into consideration such constraints and diligently plan and implement sound programs to help Jordan in this mission.

In addition, the U.S. should help Jordan in developing labor intensive productive projects with high value added, especially projects that can employ local young males and females. The Qualifying Industrial Zones (QIZs) have not significantly contributed to the growth in employment opportunities for Jordanians, who have hardly benefited from the new projects. Indeed, most jobs have gone to South Asian immigrants working under harsh conditions. Of the 46,000 workers employed in the QIZs, only about a third are Jordanian nationals. In addition, nearly all raw materials, and more than 90 percent of intermediate goods and accessories are imported, exhibiting low linkages with the Jordanian economy.

Discussion with the Audience

After the panel finished, audience members commented on several points raised by the speakers and asked a number of questions.

Fares Braizat of the Center for Strategic Studies, commenting on the remarks by Sufyan Alissa and Ibrahim Saif, noted that only two-thirds of Jordan's budget is raised from domestic taxation. Braizat asked whether increasing local taxation would form a connection between taxation and political representation which does not currently exist. Braizat also asked whether Jordan citizens prospered economically from 2000-2006. He noted that when asked whether their economic situation improved over the previous months, only 10-15% of Jordanians answer yes, 35% say it remained the same, and the rest say it has worsened.

Oraib Rentawi of the al-Quds Center for Political Studies questioned whether Jordan had succeeded in building a social contract. He noted that Jordan had not had true political or economic reform, pointing to the presence of weak and marginalized groups, such as trade unions. In regard to the comments about USAID, Rentawi criticized the more than 200 temporary laws that have been passed in Jordan, saying he was unimpressed by rapid reform conducted by temporary law, which violates the Jordanian constitution and the rights of Jordan's citizens.

Ibrahim Badran from Philadelphia University noted that economic reform in Jordan has faced a dilemma since the beginning of the reform process. The economic reform program was in reality nothing more than a financial adjustment program, he said. During this period, the government was concerned with financial adjustments under the title of reform, and we expected economic improvements, but how can economy improve when we see no improvements in productivity and the use of technology in the economy? The current problem, said Badran, is that Jordan does not have a clear economic strategy: a strategy that can change the economy, as well as industrialize the services and foster tourism. He suggested that a new strategy is needed to strengthen different economic sectors in Jordan.

Audience member Maher al-Waked, a financial analyst, asked where all these programs have led to? What are the steps to remedy the first, second and third generations of economic reforms? Al-Waked argued that the "golden straitjacket" was not in fact golden; it was very harsh for citizens. The people did not feel tangible results of economic reforms. He added that economic reforms must go with political reforms addressing the lack of real democratic governing parties. As for the Qualifying Industrial Zones (QIZs), they appear to exist in Jordan as a reward for the peace process, and most of the labor is foreign labor, said al-Waked. Regarding privatization, al-Waked said that large and successful Jordanian companies are the jewel of the crown, and that privatizing them or their administration is a major issue that requires much consideration.

The Director of the Social Security Corporation (SSC) Omer Razaz said that he did not feel that there exists a social contract for social security. Three to four months ago, he said, there were rumors of a law to amend the SSC. It was only a rumor, but people started acting accordingly, he said, which illustrated the gap of trust that exists between citizens and institutions. Even when officials spoke out, people started to say the opposite, because of the lack of trust.

Razaz argued that we should reconsider many issues related to social security and that while some should be approached technocratically, others should involve a societal dialogue. He suggested that actuarial issues must be settled technocratically but that issues between employer and employees, and of justice among current and future generations, and between men and women, are all social issues that require societal dialogue. Input from all of these parties and stakeholders is necessary before a decision is made, said Razaz, and he called for the establishment of a framework to foster this dialogue.

Mahjoob Zweiri of the Center for Strategic Studies added his perspective on how developments in the region have impacted economic reform in Jordan. He noted that Jordan's economic reforms started in 1989, and soon after Jordan witnessed two influxes of people from Kuwait and Iraq. Now, with the war in Iraq, the pressure on the Jordanian economy, and high oil prices, Zweiri noted that the arrival of more than 700,000 Iraqi refugees is another important change that affects political decision-making in Jordan. He asked how regional instability's impact on economic reform can be reduced and how Jordanian decision-makers can address such unstable factors.

Sufyan Alissa addressed Zweiri's question, saying that the impact of foreign conflicts on reform in Jordan is exaggerated. According to Alissa, there is little to no discussion of how the situation in Iraq and Palestine affects economic reform in Jordan. Alissa added that foreign revenue has enabled Jordan to achieve three things:

- The government has been able to influence the social contract,
- It has enabled Jordan to consume more than it produces, as is clear from the balance of trade; and
- It has enabled Jordan not to practice effective taxation policies.

Reem Badran discussed the role of official facilitation and regulation of investments in Jordan. She said that privatization of the airport, for example, was done very carefully and successfully, and every institution was informed about the process. The process used for the airport was an exception, she said, but it should be the common standard for all the institutions in Jordan. Jordan's vagueness on procedures by which decisions are taken negatively affects Jordan's overall economic credibility and other investments in Jordan, she argued.

Badran mentioned the issues of transparency and accountability, which she cited under the big umbrella of democracy. If we can join democracy and economic reform, that would be very good, Badran said. She mentioned a study showing a direct link between democracy and economic growth, and argued that it was clear from many countries that democracy can improve the economic situation.

Mustafa Hamarneh of the Center for Strategic Studies agreed that political and economic reform go hand in hand. He cited the case of Spain, which went from one of the most marginalized countries in Europe to a brilliant example of democracy and reform. Spain today has the most democratic constitution in Europe, along with strong democratic components like transparency and civil society. But Hamarneh cautioned that elections are not necessarily democratic. However, audience member Khalid al-Hudhud disputed the positive link between democracy and economic reform. India, he said, is an example of a democratic country that made its governorates very poor. Singapore, on the other hand, was a dictatorship but it achieved economic reform.

Jamal Al-Jabiri from USAID said that the main difference between his point of view and others seemed to be that he was talking about the glass half full, and the others seeing it as half empty. There has been a large and positive transformation, he said, and while it is not complete and not as participatory as USAID would like, it is not a crisis. Jordan is a stable country growing economically and carrying out economic reforms that are better than those in most of the rest of the world. USAID Jordan is a model for many USAID missions around the world, Al-Jabiri said, and the successes in Jordan have made many people envious of what USAID Jordan has been able to accomplish with the resources available to it.

Al-Jabiri argued also that while many people complain about the government's direction of everything, both politically and economically, those same people complain that the government does not give them direction in terms of private sector participation.

Ibrahim Saif of the Center for Strategic Studies contended that it is not fair to compare individual income from the mid-1980s to today, and claim that it did not improve. High individual income in the 1980s was an unsustainable income, Saif said; the income depended on external resources which led to the economic crisis.

"I have reached the conclusion that there is no clear social contract that was achieved," said Saif, "due to the lack of trust between the two sectors, private and public, because of historic development." Though it is difficult to generalize, Saif said, there are still many obstacles hindering private sector development and leadership.

Saif clarified, however, that Jordan's tax system is effective and covers a major part of local spending. He added that he agrees with Reem Badran that in the long run, increased taxation may increase demands for political representation. But Saif added that right now, decision-makers are concentrating largely on how to increase taxation, rather than developing industries and resources.

Ghassan Omet from the University of Jordan called for an economic law that deals with the employment of youth, in terms of reducing unemployment and achieving a higher rate of participation. He recommended looking at other international experiences, including their experience with corruption. He emphasized the role of institutions and recommended that Jordan comprehensively study the roles of financial institutions in Jordan's economy and in the reform process, in order to ensure that specialists are able to implement effective economic reform.

Klaus Burkhardt, the head of the economy and trade section of the European Commission in Jordan, said that Europe is one of Jordan's largest neighbors, and he mentioned Europe's support for the reform process in both words and funding. "We believe that the glass is half full," he said, "but in order to keep seeing it that way and continue filling it, it draws attention to one weakness: if it is true that the measure of success of economic reform is the degree to which results of growth are shared within the whole economy, should not the whole economy be reformed as such, as opposed to ending up with a two-tiered economy?" There are some existing examples of this, said Burkhardt – Jordanian policies have a tendency to develop "good practices" through spearhead reform of some specific example, such as the Aqaba special economic zone. But what is special is not general, and the result is double structures and institutions, raising questions about the depth of reforms.

Externally, policy-wise, Burkhardt focused on whether Jordan has to import models for reform, or whether it adapts its own model. As a donor, he said, Europe is careful not to do things instead of Jordan's administration, and Europe always seeks exit strategies for its programs so that they can be integrated into Jordan's administration itself.

Ibrahim Saif agreed with Klaus Burkhardt that a two-tier economy is very dangerous. Some of the special economic zones and initiatives have been established in order to jump over bureaucratic barriers, rather than addressing the bureaucratic barriers directly.

Sufyan Alissa concluded the session by noting that Jordan's current economic model is unsustainable, because of the large role played by donations, which will not last forever. Revenues generated from Jordanian workers do not yet play a large enough role. Jordan must examine its internal challenges and crystallize economic policies that have the possibility to foster sustainable economic reform.