



Israel–Jordan Cooperation: A Potential That Can Still Be Fulfilled

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The history of Israel-Jordan relations displays long-term strategic cooperation. The formal peace agreement, signed in 1994, has become one of the pillars of the political-strategic stability of both Israel and Jordan. While the two countries have succeeded in developing extensive security cooperation, the economic, political, and civil aspects, which also have great cooperation potential, have for the most part been neglected. The Israeli-Palestinian conflict presents difficulties in realizing this potential while hindering the Israel-Jordan relations and leading to alienation and hostility between the two peoples. However, the formal agreements and the existing relations make it possible to advance them even under the ongoing conflict. Israel and Jordan can benefit from cooperation on political issues, such as promoting peace and relations with the Palestinians and managing the holy sites in Jerusalem; they can also benefit from cooperation on civil matters, such as joint management of water resources, and resolving environmental, energy, and tourism issues; and lastly, Israel can benefit from economic cooperation while leveraging the geographical position of Jordan which makes it a gateway to Arab markets. This article focuses on the economic aspect and demonstrates how such cooperation can provide Israel with a powerful growth engine that will significantly increase Israeli GDP. It draws attention to the great potential that Israeli-Jordanian ties engender, and to the possibility – which still exists – to realize this potential, which would enhance peaceful and prosperous relationship between Israel and Jordan.

A. Introduction

Although the Kingdom of Jordan is not abundant with resources, its most important asset is being a pivotal country.¹ Since its establishment in 1921, Jordan's geo-strategic location – in the heart of the Middle East at a junction between East to West and North to South – has been both a burden and an asset. Each of its neighbors, Iraq in the east, Israel and the Palestinians in the west, Saudi Arabia in the south, and Syria in the north, has tried, at some point, to bring about its destruction or substantially change its character. However, its location made it "too important to fall" from the point of view of regional and international powers, which gives Jordan a strategic protection umbrella.

Another key element, no less important for Jordan's political stability, is its widely recognized position as a legitimate political entity, with the Hashemite monarchy as a symbol and anchor of internal and international stability. The Kingdom of Jordan survived the Nasserist pan-

¹ L. Carl Brown, "[Review of 'Jordan: Case Study of a Pivotal State' by Asher Susser](#)," *Foreign Affairs*, Policy Papers No. 53, November/December 2000; Asher Susser, "[Jordan Facing Up to the ISIS Challenge: A Net Assessment](#)," *Brandeis University Crown Center Middle East*, Brief No. 92, April 2015.

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Arabism and Saudi subversion, the Syrian and Palestinian aggression, Israel's attempts to flirt with the option of "Jordan is Palestine", and in recent years the Arab Spring, threats by Daesh, and the spillover of regional crises from Iraq and Syria into Jordan.

However, this stability is fraught with constant challenges and threats – external and internal. Continued stability depends on the ability of the royal family to maneuver expertly in the political and diplomatic spheres. Political stability is also the basis upon which Jordan has built its economic strategy. Beginning in the mid-1990s and during the 2000s, Jordan adopted a consistent and determined policy of economic reforms that changed the face of the Jordanian economy. The change in the structure of the economy served as a very strong growth engine for the Jordanian economy and strengthened the Kingdom's resilience in face of economic shocks and social challenges that the current decade has brought.

Israel and Jordan maintained informal contacts for many years before signing the peace treaty. In the years following the Six-Day War, these relations crystallized into a kind of unwritten strategic alliance. The formal peace agreement signed in 1994 became one of the pillars of Jordan's political-strategic stability, which entailed economic stability as well. As far as Israel is concerned, the peace agreement has become an important component of Israel's national security perception and a significant step toward opening it up to the Arab world and the Middle East.

This article presents the contribution that the peace agreement made to Jordan and Israel. It examines the potential of Israeli-Jordanian cooperation in various areas and explores the impact of a fully realized cooperation potential. Much has been written about the importance of security-strategic cooperation between Israel and Jordan; this article focuses on economic cooperation, alongside political and civil cooperation. Examination of the economic aspect and its many advantages refutes the recently-heard assertion that the peace treaty with Jordan is not important to Israel, and that Jordan is its main beneficiary.

The study examines the impact of a fully realized Israeli-Jordanian cooperation on the course of the Israeli-Palestinian conflict. It further suggests possible courses-of-action and steps to realize the potential of such cooperation. Alongside publicly-shared sources, the article is based, to a large part, on a series of unpublished consulting interventions carried out by the author concerning Jordan and various aspects of the Israeli-Jordanian relationship. In addition, the article uses information obtained during interviews and conversations. Much of the information from the above sources is not available for publication or cannot be referenced, and its use in this article is subject to obvious limitations.

B. Potential Cooperation between Israel and Jordan

1. Geo-strategic, Political and Security Aspects

From the Jordanian point of view, the peace agreement with Israel has a major strategic importance. In contrast to the neighboring countries, Jordanian citizens have enjoyed security and stability for almost half a century (since the events of Black September of 1970). In the 1990s of the past century, Jordan also amended its relations with the Arab Gulf states, which were severely damaged by the Jordanian support for Saddam Hussein during the first Gulf War. Since then, the kingdom has enjoyed stable diplomatic relations with all its neighbors. Jordan has become one of the most stable, open and liberal states in the Middle East. The 1994 Jordanian-Israeli peace accord was signed at a critical point in the process

of Jordan's political and economic rehabilitation. It has since served as one of the pillars of the political and strategic stability of the kingdom.

For many years before the signing of the peace treaty, Israel and Jordan had a relationship of an unwritten alliance. Still, the peace treaty provided the kingdom with a very important strategic anchor of stability: it strengthened both the Israeli defense umbrella and Jordan's strategic relations with the U.S. The Israeli-American defense umbrella is vital to Jordan against external threats from the east and north, but also helps maintain domestic security against regional and local subversive terrorism. The peace treaty enables Jordan to counter threats even by Israel (positions such as "Jordan is Palestine", new waves of Palestinian immigration to Jordan as a result of an Israeli-Palestinian war, indirect damage to Jordan by Israel in the event of war between Israel and Syria or Iran, and more).

The Jordanian interest in maintaining and strengthening security and diplomatic relations with Israel is expected to continue being vital for Jordan in the years to come. The challenges and risks from Iraq and Syria are expected to continue and even intensify. The widening of Iranian influence and presence in these two countries is liable to put Jordan under direct and immediate Iranian threat. This is in addition to the continued threat of possible repercussions of the Israeli-Palestinian conflict.

The Jordanian regime is expected to face two major and difficult domestic threats to its stability. The first is the continued disintegration of the historical alliance between the Hashemite monarchy and the Jordanian tribes, which has been the cornerstone of domestic political stability in the kingdom. It should be remembered that Jordan was created as part of an agreement between the Hashemite family and Great Britain that was meant to shape the Middle East after World War I, and that the ability of Hashemites to control the new state (despite being a foreign element) was based on the alliance with local Bedouin tribes. The second, the absorption of Syrian and other refugees, including all the difficulties associated with their integration in the Jordanian society. According to a census conducted in Jordan in 2015, the number of Syrian refugees living in Jordan was estimated at 1.3 million. The total number of non-citizens in Jordan (including Iraqi refugees and residents, Palestinians, Egyptians and others) was estimated at 3 million. A large number of them have entered Jordan since 2000. As a result (and combined with population growth), the population in Jordan more than doubled in this period - from 4.8 million in 2000 to 9.8 million in 2016 and 10.2 in 2017.²

Diplomatic cooperation with Israel can also greatly assist Jordan in realizing political opportunities that the coming years may call for. Close ties with Israel will help position Jordan as an important partner in integrating Israel into the regional political and economic system. This role will strengthen Jordan's position both as a regional (for example, vis-à-vis the Gulf states) and international (especially vis-à-vis the U.S.) actor. A close relationship with Israel will also enable Jordan to be involved in formulating Israeli-Palestinian agreements while preserving vital Jordanian interests. For example, the inclusion of Jordan in security arrangements in the Jordan Valley in a manner that will also help Jordan stop the spread of possible threats from the West Bank, or the inclusion of Jordan in arrangements concerning Jerusalem in a way that preserves its special status in the holy places.

² "[Population of the Kingdom](#)," *Department of Statistics, Government of Jordan*, 2016; Mohammad Ghazal, "Population stands at around 9.5 million, including 2.9 million guests," *Jordan Times*, 30 January 2016; "[The World Factbook: Jordan](#)," CIA, 2017.

From the Israeli point of view, Israel and Jordan relations were always perceived as having an unwritten strategic alliance. The transition to a formal peaceful relationship was made possible by King Hussein's decision in 1988 to sever the administrative ties of the Kingdom of Jordan to the West Bank, and later as a result of the Oslo Accords between Israel and the PLO.³ Israel's security and geostrategic interests are, to a large extent, a mirror image of the Jordanian interests. The peace treaty with Jordan is one of the pillars of Israel's political-strategic stability, alongside the peace treaty with Egypt. Jordan serves as a friendly buffer-state against threats from the "Eastern Front", which in the past included mainly threats from an Arab front led by Iraq, and in recent years a Shiite coalition led by Iran. In addition, Jordan is also a partner in dealing with threats from Syria, including those connected directly or indirectly to Iran. Jordan has the potential to become Israel's security partner on the Eastern side of a future Palestinian state, and in assisting with observing the domestic security of the future Palestinian state. Diplomatic cooperation with Jordan can greatly assist Israel in realizing opportunities that the coming years are likely to call for. First and foremost, it can become a model and an important partner for Israel's integration in the region in general and the Gulf states in particular.

The most prominent aspect of well-developed Israeli-Jordanian cooperation is in the field of security, which is already yielding enormous advantages to both countries. Extensive security cooperation is made possible because both governments recognized the vital need for such cooperation and invested the required efforts, resources, and attention to develop it. If similar efforts and resources are invested in other areas, the countries can draw on the good security relations to deepen diplomatic cooperation as well. In this context, it is worth noticing important political and geostrategic possibilities for bilateral, trilateral (together with the Palestinians), regional, and international cooperation:

At the **bilateral** level, the most promising potential is leveraging economic cooperation to strengthen the Israeli-Jordanian diplomatic relations. In this context, two aspects need to be considered: first, strengthening relations between government bodies at different levels; second, to leverage the advantages of economic and civil cooperation to reduce hostility and create sympathy and positive relations among the general Jordanian and Israeli public.

At the **trilateral** level, involving Jordan in bilateral agreements between Israel and the Palestinians, while building on the positive experience gained in the Temple Mount/al-Aqsa Mosque arrangements. Finding a creative way to involve Jordan in security and diplomatic arrangements can help resolve some of the difficult issues between Israel and the Palestinians, such as security arrangements in the Jordan Valley and Jerusalem.

At the **regional** level, as noted above, diplomatic cooperation with Jordan can assist Israel in integrating into the region, especially vis-à-vis the Gulf states. In so doing, Jordan will be able to make a particularly valuable contribution to a regional political settlement. Jordan, for its part, will position itself as a pivotal state, mediating between the two regional powers – Saudi Arabia and the Gulf on the one hand, and Israel on the other.

At the **international** level, deepening and upgrading the diplomatic cooperation with Israel, and especially the significant Jordanian contribution to a regional diplomatic settlement, could yield even greater political and economic dividends to Jordan, just as the Jordan-Israel peace agreement upgraded Jordan-US relations.

³ Avraham Sela, "Israel-Jordan Relations: The Shadow of the Palestinian Actor", Yossef Nevo (Ed.), *Neighbors in a Labyrinth: Israel-Jordan Relations before and After the Peace Accord* (Tel Aviv, 2004), p. 37-42.

2. Economic aspects

Since the early 1990s, the Jordanian leadership has led a consistent and determined policy of economic reforms that have changed the face of the Jordanian economy. The "old" structure of the Jordanian economy, characterized by weak productive and exporting sectors and a dominant public sector, has undergone a true transformation. The private sector has become a leading driving economic force, and as of the beginning of the 2000s the Jordanian economy has become one of the most advanced in the region in terms of economic liberalization and integration into the global business sector.⁴ The economic transformation was also reflected in an important social change – stronger integration of the population of Palestinian origin into the economic and social fabric of Jordan. Moreover, since the private sector in Jordan is largely led by Palestinian businessmen and professionals, a wide social layer of Palestinian decent has integrated into the economic, social, and political centers of power across the kingdom.

The restructuring of the economy was a very strong growth engine for the Jordanian economy. During the first decade of the 2000s, the Jordanian economy grew at an average annual rate of 6 percent. Exports of Jordanian goods grew more than fourfold, from less than 2 billion to 8 billion USD. GDP per capita increased by 250 percent, to 4,500 USD in 2010. The unemployment rate fell from 15 percent to 12 percent, despite a rapid annual increase of five percent in the labor force. This process was halted at the beginning of this decade, and real GDP growth dropped to an annual rate of two to three percent. Average export of goods between 2014-2016 did not exceed its level in 2010, and unemployment rate in 2016 climbed back to 15 percent.⁵

The political and geo-strategic stability of Jordan, whose peace treaty with Israel is one of its pillars, is the basis upon which Jordan's economic strategy was built. The first and most immediate fruit of peace was financial. Following the signing of the peace agreement, the U.S. initiated a series of debt forgiveness and restructuring arrangements totaling more than 3 billion USD, which was of critical importance to Jordan's financial standing and a prerequisite for the economic rehabilitation of Jordan. Jordan has begun to receive American economic assistance on a regular annual basis, along with substantial military aid.⁶ The American aid that has become an important source of stability for the Hashemite Kingdom was proven yet again important since 2010, in view of the worsening economic situation, the challenges resulting from the "Arab Spring", and the regional turmoil. In the first half of the decade, American economic aid increased to an annual amount of about one billion dollars, and in 2015-2017 increased further to one and a half billion dollars annually.⁷ In parallel, there was a substantial increase of aid from the Gulf states and international institutions (especially the IMF).

⁴ IMF, "Jordan: Country Report," various issues; see for example: IMF, "Jordan: Country Report 2012," May 2012, p. 4; and in *Jordan Times*, [various issues](#); World Bank, "Jordan economic Monitor," [various issues](#); Yitzhak Gal, "Israeli-Jordanian Economic Relations 1994-2004," *International Conference – Israel-Jordan Relations: The First Decade of Formal Peace, 1994-2004*, Haifa University, 5-8 December 2004.

⁵ IMF, "Jordan: Country Report 2012," May 2012, p. 36; IMF, "Jordan: Country Report 2016," September 2016, p. 34; *Central Bank of Jordan*, "Monthly Statistical Bulletin," [various issues](#); ["Social Surveys: Employment"](#), *Department of Statistics, Government of Jordan*.

⁶ IMF, "Jordan: Country Report," various issues; *Jordan Times*, various issues. See for example: ["US Assistance to Jordan Hits Record High: Package Reaches \\$1.275 Billion in 2016"](#), *Jordan Times*, 1 September 2016.

⁷ Statistics for the fiscal years 2009-2014 and 2015-2017 respectively; Jeremy M. Sharp, ["Jordan: Background and U.S. Relations"](#), *Congressional Research Service*, 14 November 2017, pp. 13, 17.

Another “fruit of peace”, of even greater importance for the long term, was the start of a process that led to a series of international trade agreements, placing Jordan on a path of accelerated economic growth driven by rapid growth in exports, and positioning it as a leading force in the integration of the region into the global economy. This process began the Jordanian-Israeli-American Qualifying Industrial Zone (QIZ) agreement of 1998. This agreement paved the way for a Jordan-U.S. free trade agreement (Jordan was the fourth country in the world to sign such an agreement with the U.S., after Canada, Mexico, and Israel).

Supported by the U.S., the process continued with the accession of Jordan to the World Trade Organization, the signing of an association agreement with the EU, and a series of agreements between Jordan and all its important trade partners. These agreements, combined with a determined and consistent policy of economic reforms, created an enabling business environment that led to an increase in Jordanian exports while turning it into a strong growth engine throughout the 2000s. The rapid economic growth and other positive developments in the first decade of the 2000s greatly strengthened the Jordanian economy. This economic resilience combined with increased aid played an important role in Jordan's ability to withstand the social and economic turmoil resulting from the "Arab Spring" at the beginning of the second decade of the 2000s and the regional upheaval that followed.

The weakening of these economic growth engines in the current decade increases the risks associated with the shortage of energy and water resources, employment problems, and the sensitivities of the Jordanian economy to internal and regional political and security stability. All these are added to the challenge associated with the Syrian refugees, who have flooded the kingdom in recent years. As noted, these refugee flows (along with natural growth) have more than doubled the total population of Jordan (citizens, foreign workers and residents, as well as refugees) from just under five million in 2000 to more than 10 million in 2017.⁸

Such phenomena were manifested during the current decade in a stagnation (and even a decline in certain years) in per capita GDP and in pockets of poverty and unemployment, as well as heavy pressure on existing infrastructure, especially in the peripheral areas where Syrian refugees are concentrated. In order to deal with such risks, Jordan must develop new growth engines. Diplomatic and economic cooperation with Israel, as well as the dividends that are expected to result from such cooperation (as was the case with the 1994 peace treaty) can generate such growth engines.

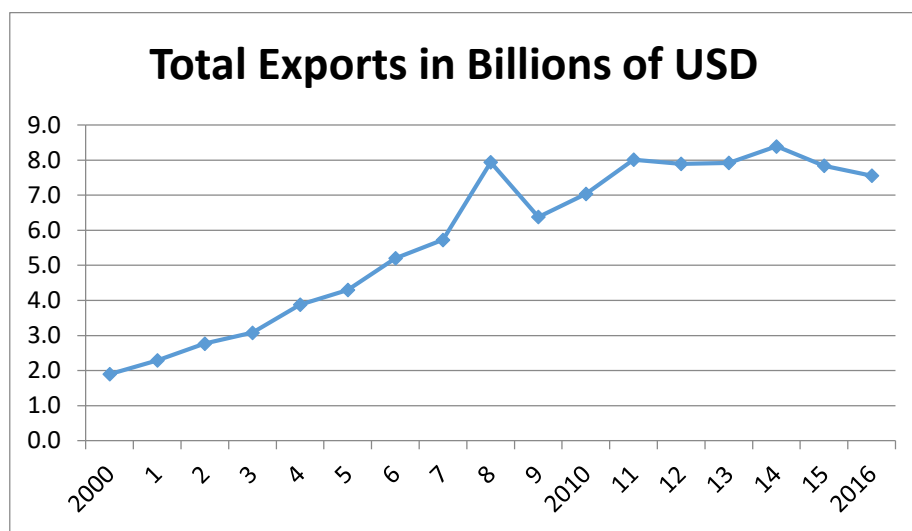
From an Israeli perspective, bilateral economic relations with a relatively small economy such as Jordan are of secondary importance. However, Jordan is very important as a bridge for Israeli trade with the large markets of the Gulf states and other Arab countries. According to a series of comprehensive research works done in recent years, the opening of Arab markets to Israel (as part of a broad political arrangement with the Arab world) will generate a new and powerful growth engine for the Israeli economy. This growth engine will hasten the rate of increase of GDP per capita in Israel, which will be 25-30 percent higher than the current projected growth. Such expected additional growth will raise Israel, within a decade, to the group of the 15 richest countries in the world, and will increase the number of jobs by nearly 75 percent, compared with the number of jobs that the Israeli economy currently

⁸ “External Trade Statistics,” *Department of Statistics, Government of Jordan*; “The World Factbook: Jordan,” *ibid*.

generates annually. Arab markets will become Israel's most important markets, alongside the European market.⁹

Beyond its great macro-economic importance, Israel's integration into the regional economy will make an important contribution to solving Israel's difficult social problems. A significant part of the additional jobs generated will be in Israel's peripheral towns and in sectors that do not require skilled labor (tourism, transportation, logistics, etc.). This will provide solutions to the most difficult employment issues of the Israeli economy (low-skilled labor, high unemployment rate in the periphery and in the Arab and ultra-Orthodox sectors). In addition, this process can be leveraged to drive a rapid economic development of the periphery. If placed in context of the economic cooperation with Jordan, such development will impact mainly the north-eastern periphery (Beit She'an Valley and the Lower Galilee) and the southeastern (Eilat, the Arava, and the Dead Sea area).

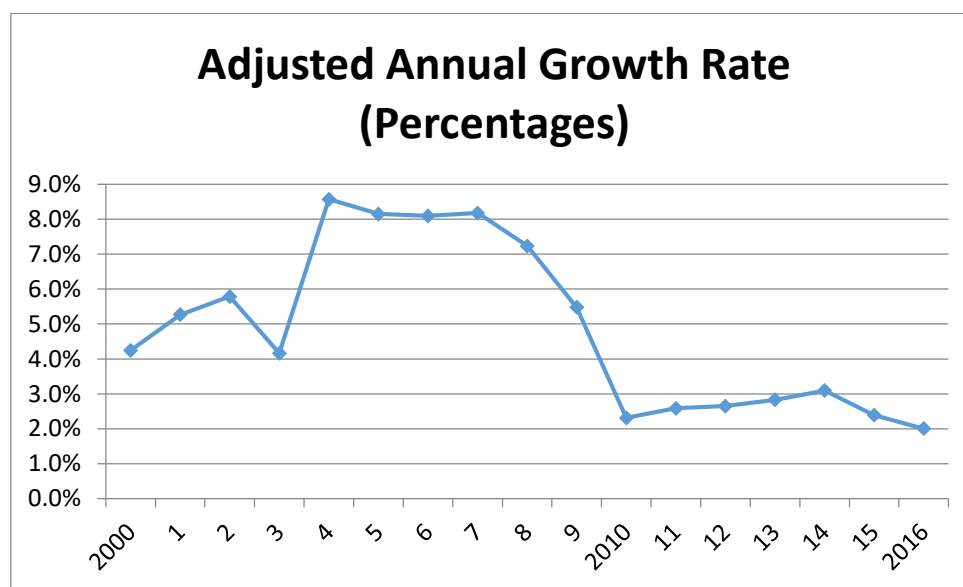
Figure 1: The Evolution of Jordanian Export of Goods, 2000-2016
(Billions of USD, current prices, including recurrent exports)



Source: [Foreign Trade Statistics](#), The Central Bank of Jordan, October 2017

⁹ Eldad Brik, "The Influence of a Regional Political Agreement on the Israeli Economy" (Prepared for "Israel Yozemet"), Israel Business Conference, December 2016 (update to an earlier comprehensive work by Eldad Brick et al. in 2014); Karim Nashashibi, Yitzhak Gal, and Bader Rock, "[Palestinian-Israeli Economic Relations: Trade and Economic Regime](#)," Office of the Quartet – Palestine International Business Forum – International Council of Swedish Industry (NIR), June 2015; The Costs of Conflict Study Team, "[The Costs of the Israeli-Palestinian Conflict](#)," RAND Corporation, 2015; Joseph Zeira, Saeb Bamyia and Tal Wolfson "The Economic Costs of the Conflict to Israel: The Burden and Potential Risks," in Arie Arnon and Saeb Bamyia (eds.) [Economics and Politics in the Israeli-Palestinian Conflict](#), AIX Group, February 2015; "[The Initiative for the Palestinian Economy](#)," Office of the Quartet, March 2014; "[Beyond Aid: A Palestinian Private Sector Initiative for Investment, Growth and Employment](#)," Portland Trust, November 2013; "The Untapped Potential – Palestinian-Israeli Economic Relations: Policy Options and Recommendations," The Peres Center for Peace and PalTrade (Palestine Trade Center), December 2006.

Figure 2: Jordan's Economic Growth Rate, 2000-2016
(GDP growth in constant prices; annual percentages)



Source: [National Accounts Statistics](#), The Central Bank of Jordan, October 2017

3. Civil Aspects

The geographical proximity between the two countries and the shared physical infrastructure and civil needs invite cooperation on a wide range of civil issues, alongside economic cooperation. One manifestation of this potential was the wide scope of civil cooperation agreements signed during the period following the signing of the Israeli-Jordanian peace agreement. During 1995-1997, 15 agreements were signed at the state level, alongside annexes to the peace agreement, as well as local cooperation agreements in the Eilat/Aqaba and Arava regions.¹⁰ As shown below, the actual implementation of these agreements is limited. With regard to transportation, border crossings, maritime, and air borders, and the environment, we may notice a certain degree of implementation. On the other hand, in other areas, such as culture and science, energy, the fight against crime and drug use, health, and medicine, the implementation of the agreements is very limited.¹¹

C. Existing Cooperation Following the 1994 Peace Agreement

1. The security and diplomatic spheres

Security cooperation between Israel and Jordan is quite advanced, including military, intelligence, and domestic security aspects, and yields enormous advantages for both sides. Naturally, the details of this cooperation are not announced publicly, but occasionally its depth and breadth are exposed in overt publications. For example, cooperation between the Israeli and Jordanian air forces in face of challenges related to the war in Syria was exposed by King Abdullah in a conversation with American congressmen.¹² It is difficult to weigh the specific contribution of the "quiet" security cooperation with Israel to the efforts to address

¹⁰ "Bilateral Agreements," Israel Ministry of Foreign Affairs.

¹¹ Gideon Bachar, "Israel-Jordan: Analysis of Strategic Relations with a Neighboring Country", *Eastern Wind* 5, Winter 2007, pp. 43-44.

¹² "Israeli, Jordanian Jets teamed up to warn off Russians, King Says," *The Times of Israel*, 26 March 2016.

the various external and internal security challenges facing Jordan since the beginning of the current decade. However, a detailed examination of the range of threats and of the methods that the Jordanian regime chooses to deal with them shows that this cooperation has considerable weight. This cooperation is even more important when combined with Jordanian-American cooperation and the impressive capabilities of the Jordanian government to rule and maintain security.¹³

In contrast, the level of diplomatic cooperation is relatively limited. Besides the ongoing maintenance of formal relations, actual diplomatic cooperation is limited to specific areas (for example, the issue of the Temple Mount/al-Aqsa Mosque), and the Jordanian involvement in Israeli-Palestinian attempts to maintain dialogue is quite secondary. However, the political ties have been maintained at a high enough level to deal with crises over the years – starting with the crisis surrounding the attempted assassination of Khaled Mashal in Amman in 1997 to the crisis surrounding the killing of two Jordanian citizens by an Israeli security guard in 2017.

The disappointing results in the field of diplomatic relations stem from a combination of factors, some of which are associated with the Jordanian side and some with the Israeli side. On the Jordanian side, there are four main factors. First, a Jordanian sentiment based on the Rabin assassination in 1995 and the ensuing change of governments in Israel in 1996, that Israel is not advancing its relations with Jordan in accordance with the spirit of the peace agreement; second, a deep sense of disappointment among the Jordanian public in view of the failure to realize the economic benefits of the peace agreement; third, political and public forces in Jordan opposing peace and normalization of relations with Israel. These forces exploited the first two of the above factors and created a public atmosphere that delegitimizes any diplomatic and economic cooperation with Israel. Alongside the political opposition (Islamists and others), who is using the public opposition to the peace agreement and to bilateral relations with Israel in general, to provoke the regime, this opposition is shared with the powerful professional associations (such as the Jordan Bar Association), labor unions, and the media. It was also expressed strongly in the Jordanian parliament and in overt or quiet refraining of Jordanian officials from any contact with Israel. The regime and successive Jordanian governments take this stance in silence and do not fight it.¹⁴ The fourth factor, which is of particular importance, is the state of the Israeli-Palestinian conflict.

On the Israeli side, the reasons for the unrealized potential of diplomatic (and economic) relations are a combination of indifference, bureaucracy, and unwillingness to invest the efforts and attention that are invested in security relations.¹⁵ A striking example is the great difficulties and the cumbersome process that Jordanians are facing when applying for entry visas to Israel, including businessmen and others who maintain regular and ongoing contact with Israel. Such difficulties occur despite the fact that the issue has been raised over the years, dozens of times by various entities and officials, and despite the reassurances given by official professional working groups to conduct strict security checks if this process is made less cumbersome. These bureaucratic difficulties are reflected, among other things,

¹³ For a detailed analysis of the range of challenges and ways of coping with the challenge of Daesh, see: Susser, "Facing Up", *Ibid.*, pp. 2-6, see in particular the concluding remark regarding the place of Israel, from the Jordanian point of view, on p. 6.

¹⁴ Muhanna Haddad, "Israel in the Eyes of Jordan after the Peace Agreement: Hope and Illusion", Nevo (ed.), *Ibid.*, pp. 268-275; Joseph Nevo, "Jordan, the Palestinians and the Al-Aqsa Intifada", Nevo (ed.), *Ibid.*, pp. 301-305; See also various issues of the Jordanian newspaper *Al-Ghad* and other Jordanian newspapers. for example: Suzanna Goussous, "2017 to See Action against 'Normalisation' of Ties with Israel, Activists Say," *Jordan Times*, 25 February 2017.

¹⁵ Bachar, "Israel-Jordan", *Ibid.*, pp. 45-47; Oded Eran, "Israel-Jordan Relations Today and Looking Toward the Future", Nevo (ed.), *Ibid.*, pp. 236-237.

in prolonged and unexplained delays in processing visa applications, inconsistencies in decisions to reject or approve such requests, and the avoidance of granting multi-entry visas. These difficulties distance hundreds of Jordanian businessmen, who have an interest in developing business relations with Israel.

2. The economic sphere

Similar to the diplomatic sphere, Israeli-Jordanian economic cooperation that has developed since the signing of the peace agreement reflects a fraction of the potential. In certain areas, there were some achievements; however, these were largely the result of private sector initiatives. With regard to public sector activity, we notice poor economic cooperation that does not expand far beyond the basic elements required by the very existence of the peace agreement (operation of border crossings, aviation arrangements, visas, etc.). The majority of the many sections on economic and civil cooperation that were included in the Israeli-Jordanian peace agreement and its annexes (as well as some 15 other agreements signed in 1995-1997) were not implemented or were partially implemented with delays. A few exceptions, in which the two governments have taken significant steps for economic cooperation, are discussed below.

The most important reason for the Jordanian disappointment with the peace agreement and their sense of suspicion and sourness towards it (alongside the Palestinian issue) is the failure to implement a series of major projects (the Red-Dead Canal, major plans in the fields of transport infrastructure, water, etc.) that were prominently presented by Israeli leaders at international conferences while giving the feeling that Israel is committed to their rapid implementation. As a result, the Jordanian leadership and public developed great expectations that the peace agreement and these large projects would bring about a rapid and sharp improvement in the economic situation and standard of living in Jordan. During the second half of the 1990s it became clear that some of these ambitious plans had no economic or environmental feasibility, and as for the others, Israel had no real intention to implement them.¹⁶ In recent years there have been signs of progress in several important areas with a new and cautious approach: gas supply from Israel to Jordan, provision of water (including the implementation of a more modest and realistic version of the Red-Dead Canal project), creating a land transport corridor from Jordan via the Haifa port, and more.

Following is an overview of the economic cooperation that developed in several prominent areas:

Trade - Shortly after the signing of the peace treaty between Israel and Jordan, the two countries signed a trade agreement in 1995, which established reduced trade tariffs between them. However, these tariffs were still much higher than those agreed between Israel and most of its other trading partners. The trade agreement was upgraded in 2004, when a further gradual reduction of tariffs was imposed until tariffs were fully or almost fully eliminated (in 2010) on a large part of the trade between the two countries.¹⁷ The bilateral trade agreements helped the Jordanian-Israeli trade to develop, but its scope remains limited and of secondary importance to both countries.¹⁸

¹⁶ Shimon Shamir, "Rise and Fall of the Warm Peace with Jordan" (Tel Aviv, 2012), pp. 290-291, 512, 556; Eran, "Israel-Jordan Relations", *ibid.*; Munther Haddad, "Reflections on the Peace Agreement between Jordan and Israel", Nevo, (ed.), pp. 247-251.

¹⁷ ["Trade Agreements with Jordan"](#), Ministry of Economy and Industry.

¹⁸ See the data in Figure 3 below. Israeli exports to Jordan in recent years (50-100 million USD per year) range between 0.1 to 0.2 percent of Israel's total exports of goods. The "net" Jordanian exports to Israel (i.e. after deducting recurrent

Of greater importance was the special trilateral trade agreement signed in 1998 between Israel, Jordan, and the U.S. regarding the establishment of Qualifying Industrial Zones (QIZs). The QIZ Agreement provided exemption from customs duties and quotas on products manufactured in specific industrial areas in Jordan, using Israeli inputs (at a minimum rate stipulated in the agreement) that are exported to the U.S. The agreement created large-scale cooperation between the respective Jordanian and Israeli textile sectors with regard to goods exported to the US. Israeli-Jordanian bilateral trade increased almost tenfold during the decade following the signing of the QIZ agreement (most of the growth was in exports from Israel to Jordan). The trade in inputs and intermediate products for the textile and clothing sectors became the main component of trade between the two countries. By the end of the 2000s, the QIZ agreement lost much of its attractiveness following the entry into force of a free trade agreement between Jordan and the U.S., which granted similar customs benefits to Jordanian exports without the need to purchase Israeli inputs. As a result, a sharp drop in Israeli exports to Jordan was recorded, from 200-250 million USD per year at the end of the first decade of the 2000s, to about 100 million USD per year in 2013-2015.¹⁹

Another trilateral trade agreement was the "Aggregation Agreement" between Israel, Jordan, and the EU, which came into effect in 2006. This agreement granted export benefits to products that were jointly manufactured by Jordan and Israel and exported to European markets.²⁰ Despite the great potential that this agreement represents, in practice it had virtually no effect on economic cooperation between Israel and Jordan. The reason for this is apparently that at this time there was no real political willingness on the part of the two governments to take active steps to implement the agreement, and there were no strong players in the business sector pushing for its implementation, as was the case a decade earlier when the QIZ agreement was signed.

Since the beginning of this decade, a new trend of increased transit trade between Israel and Jordan has begun. There was a significant increase in Israeli imports from the Gulf through Jordan, mainly of chemical and petrochemical products, as well as import of various consumer goods from the large free trade zones in the Gulf. In addition, Jordan is using the route passing through the Jordan River Border Crossing and the Haifa Port in order to export to European markets (including Turkey, Russia and Eastern Europe), as a substitute for the land route through Syria, mainly to export fresh agricultural produce. These trade activities are recorded in Israeli statistics as imports from Jordan, but a detailed analysis of the trade data shows that these are goods re-exported from Jordan.²¹ This route through the Haifa Port also serves for some import of Turkish and other goods through Israel to Jordan, and from there to Iraq and the Gulf.

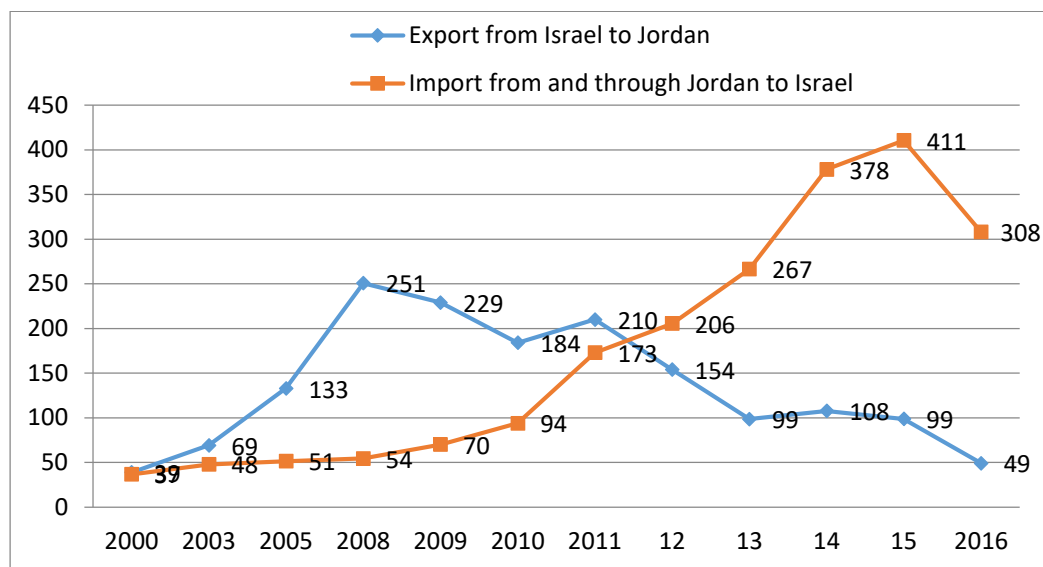
exports from the Gulf that is registered as Jordanian exports) are estimated at 100-150 million USD a year and constitute only 1-1.5 percent of Jordan's total exports of goods.

¹⁹ "[Trade Agreements with Jordan](#)", *ibid.*, Yitzhak Gal, "Qualifying Industrial Zones in Jordan and Egypt," unpublished report, November 2012.

²⁰ "[Aggregation](#)", *Ministry of Economy and Industry*.

²¹ "Foreign Trade Statistics, Table D.4 - Import and Export with Jordan by Commodity Groups", *Central Bureau of Statistics*, December 2016; "[Israel-Jordan Relations: An overview. Summary of a Briefing by Dr. Abdullah Sawalha from Jordan](#)", *Mitvim - The Israeli Institute for Regional Foreign Policy*, April 2017; interview with Dr. Abdullah Sawalha, July 9, 2017; "[External Trade Database](#)," *Department of Statistics, Government of Jordan*.

Figure 3: Israel's trade with and through Jordan (with the Gulf states), 2000-2016
(Millions of USD)



Source: Foreign Trade Statistics, Table D.2, Trade Countries, Imports & Exports Excluding Diamonds, CBS

Water - With the signing of the peace treaty and the accompanying water agreements between the two countries, Israel began to transfer to Jordan 50 million cubic meters of water per year from the Sea of Galilee as part of a complex set of arrangements relating to the distribution of Yarmouk water, brackish water purification for joint use, and more. Discussions about the transfer of additional 50 million cubic meters of the Sea of Galilee continued throughout the first decade of the 2000s, and only in 2010 an agreement was reached as part of a broader arrangement that also includes the distribution of desalinated water produced in Aqaba between Jordan, Israel, and the Palestinian Authority as part of the Red-Dead Canal project. The infrastructure for transferring the additional quantity already exists, and the beginning of the actual transfer was planned to begin in 2018.²²

From the Jordanian point of view, the most important component of the Red-Dead Canal project is a large desalination facility to be built in Aqaba. The second major component of the project, featuring a canal that will divert water from the Red Sea to the Dead Sea, is considered to be of secondary importance for the Jordanians. The Aqaba desalination plant is planned to grow in several stages and serve, in the long term, as one of Jordan's most important water sources. Considering the vitality of this facility for Jordan, the Jordanian authorities prepared to operate the desalination plant in Aqaba separately from the Red-Dead Canal project, to prepare in the event that there are technical or environmental difficulties in implementing the Red-Dead Canal project or even political difficulties affecting the cooperation with Israel. This option was re-examined by Jordan in light of the crisis in its relations with Israel following the killing of two Jordanian citizens by a security guard at the Israeli Embassy in July 2017.²³

²² Haddadin, "Reflections on the Peace Agreement", *ibid.*; Bachar, "Israel-Jordan", *ibid.*, p. 45; Daniel Dotan, "[Opening the Tap: Israel and Jordan Cooperate in the Water Sector](#)", *Globes*, June 1, 2016; Ora Coren, "[Israel, Jordan sign the Red-Dead Canal Agreement](#)", green organizations: there is less wasteful solution", *The Marker*, February 26, 2015.

²³ Daoud Kuttub, "[Is Jordan planning major change in Red Sea-Dead Sea project?](#)", *Al-Monitor*, 19 October 2017; Mohammad Ghazal, "[Jordan to Go ahead with Red Sea-Dead Sea Project Despite Israel's Withdrawal Threat](#)", *Jordan Times*, 15 November 2017; John Anthony Allan, Abdallah I. Husein Malkawi, and Yacov Tsur, "[Red Sea-Dead Sea Water Conveyance Study Program: Study of Alternatives](#)", March 2014, pp. 11-14

Manufacturing - Significant cooperation in this area developed immediately after the signing of the peace agreement, especially in the textile and clothing industry. Leading Israeli companies have established factories in Jordan and have cooperated with Jordanian investors and manufacturers. The momentum and great potential that were noted in this area were one of the main factors that led to the signing of the QIZ agreement, with the intention to encourage continued Israeli (and other) investments in exporting industries in Jordan. In practice, the success of the QIZ was reflected mainly in Israeli-Jordanian cooperation in the transit trade, as well as investments by non-Israeli companies in the textile and clothing sector in Jordan. Expectations for significant Israeli investments in joint manufacturing plants in Jordan have not materialized. Moreover, during the 2000s, almost all the Israeli companies that invested in joint manufacturing plants in the QIZ regions in Jordan ceased their direct investment in Jordan. Cooperation with factories in Jordan has shifted to a form of subcontracting. In other words, Israel exports raw materials or intermediate products for sewing in Jordan and receives finished goods in return (usually recorded as imports into Israel). Only a few Israeli companies have succeeded in establishing manufacturing and marketing operations in Jordan, in order to trade with other Arab markets.

Natural Gas - At the beginning of 2017, Israel started providing gas to the Jordanian Potash company and the Bromine plant at the Dead Sea, in accordance with the agreement signed in 2014 and despite protests and political objections in Jordan. The gas is pumped from the Tamar gas field and piped through a 36 km pipeline that connects the Jordanian factories to the Israeli gas transmission system at a point close to the Israeli Dead Sea Works plant. The Israeli part of the pipeline was laid and operated by the Israeli Gas Company, while the Jordanian part (20 km) was laid and operated by the Jordanian company Fajr, which operates Jordan's gas pipeline system. In 2019, a much larger amount of gas is planned to be supplied to the Jordanian Electricity Company (NEPCO), in accordance with an agreement signed at the end of 2016. The supply of gas to the Jordan Electricity Company is supposed to be from the Leviathan gas field. Taking into account the political constraints, the agreements with the Jordanian customers were signed by a foreign company, a subsidiary of Noble Energy, and not by the gas partnership that includes Israeli companies.²⁴ Since steady and reliable gas supply is essential to the Jordanian economy and considering the political risk that surrounds the supply of gas from Israel, Jordan has prepared an alternative to that as well, just as it did with regard to desalination. To that effect, it has constructed and now operates a liquid gas reception facility in Aqaba, which allows the import of liquid natural gas (LNG) by sea from other suppliers.

Logistics - The development of transit trade led to the construction of a strong logistical business infrastructure between the two countries. This business infrastructure includes long-term cooperation between dozens of Israeli and Jordanian logistics and transportation companies, as well as a few hundred additional companies and businessmen from both sides that provide various services and products to this sector. This foundation has enabled the renewed momentum in the transit trade in recent years and provides a solid basis for realizing the potential in this sector in the future.

Tourism, hotels and aviation - some progress can be discerned in these areas: a rather limited extent of Israeli tourism to Jordan (mainly Arab citizens of Israel, as well as visits by

²⁴ Eran Oren, "[For the first time in history and under the radar: natural gas began to flow from Israel to the Jordanian kingdom](#)", The Marker, March 1, 2017; "[The Leviathan partnerships will sell gas to Jordan for \\$ 10 billion](#)", Globes, September 26, 2016.

Israelis to Petra and desert tours in southern Jordan), flights of Israelis to the Far East via Amman, pilgrimage of Israelis through Jordan, and limited employment of Jordanians in hotels in Eilat.²⁵

3. The civil sphere

Israel's Arab citizens are most active with regard to civil cooperation between Israel and Jordan. Alongside the tourism aspect, the most prominent expression of civic cooperation is the large number of young Israeli Arabs studying in Jordanian universities. Updated for 2012, this number was estimated at 8,000 (compared to 28,000 Arab students in Israeli higher education institutions), but has apparently declined in recent years.²⁶

Limited cooperation also exists on environmental matters. In this area, the activity of several NGOs is prominent. The Israeli-Jordanian-Palestinian organization *EcoPeace Middle East* pays particular attention to water and environmental issues in the Jordan Valley region. The Arava Institute also initiates and promotes Israeli-Jordanian cooperation on environmental and agricultural research.²⁷

Several important civil society organizations that were very active during the first decade after the peace treaty was signed, such as the Israel-Jordan Chamber of Commerce, are no longer active. However, a limited number of organizations and research groups, Israelis and Jordanians, still maintain contact and joint activity. The most prominent Jordanian organizations operating in Amman and cooperating with research and policy institutes in Israel are the Amman Center for Peace and Development, headed by retired Jordanian General Mansur Abu Rashid, and the Center for Israel Studies, headed by Dr. Abdullah Sawalha.

D. The linkage between the Israeli-Palestinian conflict and Israel-Jordan relations

Beyond all the obstacles and difficulties described above, the Israeli-Palestinian conflict is without doubt the main factor blocking the development of Israeli-Jordanian relations and cooperation. This factor is the driving force behind the strong resistance of the "anti-normalization" groups and the political, religious and social forces against developing relations with Israel in Jordan today.²⁸

Moreover, Israel's actions with regard to the Palestinian issue have placed the Jordanian regime, time and again, in difficult situations vis-à-vis groups opposing the peace agreement with Israel. These difficulties started as early as 1995 and led to the emergence of hostile public opinion towards the peace agreement as it is considered a tool that helps Israel against the Palestinians. A decision by the Rabin government in April 1995 to expropriate more land in East Jerusalem was received very harshly in Jordan. The opening of the

²⁵ Interview with Dr. Sawalha, *ibid.*; Gal, "Qualifying Industrial Zones," *ibid.*, pp. 2-4.

²⁶ Nuhad Ali, "[Representation of Arab Citizens in Institutions of Higher Education](#)," *Sikkuy*, 2013, p. 17, 20; Yuval Vurgan, "[Israeli Students in Education and Teaching Disciplines in Higher Education Institutions in the Palestinian Authority](#)", Knesset: Research and Information Center, 2012; "Israel-Jordan Relations: A Current Situation," *ibid.*

²⁷ For example: "[Regional NGO Master Plan for Sustainable Development in the Jordan Valley](#)," *EcoPeace Middle East*, June 2015; "[Track II Environmental Forum](#)," *Arava Institute*, May 2017.

²⁸ Bachar, "Israel-Jordan", *ibid.*, p. 46; see a brief analysis of the forces against relations with Israel and the importance of the Palestinian issue to them in the first years following the signing of the peace agreement: Haddad, "Israel in the eyes of Jordan". *Ibid.*, p. 258-264, 272-273.

Hasmonean tunnel by the Netanyahu government and the beginning of construction in Har Homa, along with the attempt to assassinate Khaled Mashal (1996-1997), further seriously damaged Jordanian trust in Israel and led to the on-going "cold peace" between the two countries and the hostile Jordanian public opinion toward peace.²⁹ The Jordanian sensitivity to the Palestinian cause has since been expressed dozens of times, around violent events related to the Israeli-Palestinian conflict, the wars in Gaza and Lebanon, various events in Jerusalem, and more.

The profound hostility that has developed over these years is limiting and paralyzing for political, economic, and civil cooperation. The public and social pressure, along with the harsh personal feelings of many Jordanians regarding Israel's moves vis-à-vis the Palestinians, have led business and government officials at all levels to avoid contact with Israel and Israelis (or to reduce it as much as possible) and to stop cooperation with Israel. For most Jordanians and the Jordanian government, the willingness to realize peace and to develop extensive political and economic cooperation is conditioned by a real progress towards an Israeli-Palestinian negotiated agreement.³⁰

In this way, the Israeli-Palestinian conflict is a powerful barrier to realizing the potential in all spheres of economic activity. However, with the exception of the few above mentioned areas, in which Jordan has a clear vested interest (such as water or gas), or in which associated conditions create a kind of "bubble" that separates particular regions or activities from the general informal economic boycott (for example the textile and clothing sector related to the QIZ Agreement, or cooperation near the Aqaba-Eilat border area and in the Jordan Valley). Besides these exceptions, very few Israeli companies and products succeed in breaching the wall of barriers related to the conflict. Jordanian consumers or those from the Gulf are not willing to accept products bearing an Israeli label, therefore importers and distributors are unwilling to buy Israeli consumer goods. Even products that are not intended for the end consumer but for the business or public sector (machinery and equipment, raw materials, production inputs and intermediate products for agriculture, industry, construction, etc.) are boycotted. This is because distributors and potential customers fear the reaction of customers, employees, or business partners if they become aware that they are trading with Israel. The relatively few Israeli companies that manage to sell to the Jordanian market or to the Gulf via Jordan do so by disguising the Israeli origin of the product.³¹

In the last decade, a large part of these "bubbles" of economic cooperation have also been damaged. This phenomenon is reflected in the continuing decline in Israeli exports to Jordan (as shown in Figure 3). An analysis of the composition of Israeli exports to Jordan shows that one of the main reasons for this decline is the declining import of Israeli inputs into the Jordanian textile and clothing industry. Jordanian textile and clothing companies were quick to take advantage of the alternative created upon the entry into force of the Jordanian Free Trade Agreement with the U.S. Following the signing of this agreement, Jordan started exporting to the U.S. under this agreement instead of the previously signed Israeli-Jordanian-American QIZ agreement. Although this change has economic motives, in some cases, quite a few companies saw the imports from Israel (when the QIZ agreement imposed it) as a political burden they were happy to get rid of. Moreover, the deep hostility associated

²⁹ Shamir, "The Rise and Fall of Peace," *ibid.*, pp. 191-192, 236-237, 249.

³⁰ Shamir, "The Rise and Fall of Peace", *ibid.*, p. 556; Hadad, "Israel in the Eyes of Jordan", *ibid.*, pp. 262-264; Hassan Barari, "Jordan and Israel: Ten Years after the Peace Agreement", Nevo, (ed.), p. 295.

³¹ This set of barriers has been documented by the author in dozens of cases that he personally encountered when he advised Israeli companies, along with dozens of other cases reported by other parties operating in the field of Israeli trade with and through Jordan.

with the Palestinian issue also jeopardizes the new agreements for gas provision from Israel to Jordan. These agreements are being implemented "in a low public and media profile" in view of the strong public and parliamentary opposition. It can be expected that as the supply of gas from Israel to Jordan develops, these agreements will be under strong attack in the event of war or another crisis between Israelis and Palestinians.

The ongoing conflict between Israelis and Palestinians serves as a major barrier to establishing country-level and civil cooperation in other areas as well. The anti-normalization movement in reaction to the on-going Israeli-Palestinian conflict prevents civil cooperation. This is evident in cooperation between research institutes and universities, which began after the peace agreement was signed and later on reduced in scope as the peace process went into a deadlock. Examining the activity of environmental organizations, we see a similar dynamic, in which cooperation – and even joint membership in those organizations – has narrowed. As far as political and security aspects are concerned, the common interests do drive the parties to cooperate, but not optimally. For example, the absence of an agreed-upon solution between the Israelis and the Palestinians on the Temple Mount/al-Aqsa issue, and the repeated crises related to the site, cast shadow on the bilateral relations with Jordan. In the absence of a solution to the Israeli-Palestinian conflict, Jordan cannot play the role of a bridge between Israel and the rest of the Middle East.

E. Areas of activity and major steps to realize the potential

In areas perceived by decision makers as important, such as security or water and gas, the parties are able to realize significant cooperation despite the public and political opposition in Jordan. In these areas, which are perceived as strategic and central, the Jordanian authorities overcome the conflict and the difficulties and cooperate nevertheless. Although they do so as much as possible "under the radar", they are willing to pay political capital if and when this cooperation is exposed. This type of cooperation, which is done "under the radar" and relies on individual connections and not on an extensive network of cooperation, has a limited political resilience to withstand crises. However, it is important to take advantage of this willingness, and to work with decision makers. If they are convinced that cooperation in certain areas, such as those listed below, is of particular importance, they may act to advance cooperation in additional areas, even in the face of public and political opposition. In light of the above, one of the most important steps to realize this potential is to launch a comprehensive campaign of public relations, targeting the wider public, opinion leaders, and decision-makers in both Jordan and Israel, regarding the advantages resulting from cooperation between the two countries. Raising awareness is an important condition for a fundamental change in policy both in Jordan and Israel and for fuller realization of the potential.³² The proposed strategy for realizing the potential is to focus on several steps towards economic cooperation that will help Jordan develop new growth engines. If combined with extensive public relations efforts to demonstrate the advantages of these measures to the public in Jordan and Israel, economic cooperation between the two countries can be immensely strengthened.

Following are the main areas that can be used, in cooperation with Israel, as new growth engines for Jordan, which will increase Jordanian motivation to support and deepen cooperation with Israel:

³² Interview with Dr. Sawalha, *ibid*.

Transit trade - Jordan proved in the 2000s an impressive ability to make its trade agreements a primary lever for economic development and growth. The Jordanian-Israeli-American QIZ Agreement and the Free Trade Agreement with the U.S. that followed was leveraged to develop a large export sector to the U.S. At the same time, the Jordanians leveraged their geographic location and the Free Trade Agreement between the Arab States (GAFTA) to develop massive exports of goods and services to the Gulf and Iraq. This export was the most important engine for Jordan's rapid economic growth in the 2000s, which has declined in recent years.³³ New trade arrangements between Israel and Jordan should focus on encouraging transit trade. A massive development of a transit trade route between the Gulf and the Mediterranean, through Israel and Jordan (with American, European and Gulf support), is expected to at least triple Jordanian exports (including re-exports) within a decade. Thus, the transit trade through Israel will serve as a powerful new growth lever that can bring Jordan back to the high level of economic growth of the 2000s.

Transport: Trains and Ports - During the past decade the regional transportation infrastructure has undergone a fundamental change. This change relates to a new network of railroads, which is expected to reshape regional land transportation. Although most of these projects are planned and implemented separately by each of the Arab countries, they are coordinated and create a new regional railway network. China has become an important player in constructing the transport infrastructure in the Middle East as part of its attempt to establish new trade routes. The new rail network in the Gulf countries (especially in Saudi Arabia) is already in advanced stages of implementation. Other Arab countries are planning to connect to this railway network, which will allow for rapid and cheap movement of goods within the Arab world and between the Gulf and the Mediterranean Sea. Jordan is planned to serve as the main crossroads of this regional railway grid, thereby strengthening its position as a significant player in the regional transit trade.³⁴

Figure 4: Jordan as the main intersection of the regional railway network



Source: the master plan of the Jordanian railway³⁵

³³ Yitzhak Gal, "Potential Transport of Regional Cargoes through Israeli Ports", unpublished consultancy paper, 2006; Gal, "Qualifying Industrial Zones," *ibid*.

³⁴ Yitzhak Gal, "Arab Transportation Infrastructure: A Big Leap Forward," unpublished work, January 2012; "Jordan National Railway Project: General Brochure," *Jordan Ministry of Transportation*, August 2011; "Jordan National Railway Network Project," *BNP Paribas*, June 2010.

³⁵ "Jordan National Railway Project: General Brochure," *ibid*, p.3.

Without a railway connection to the Mediterranean ports via Israel, the economic feasibility of the Jordanian railway project is highly questionable. However, a rail connection between Israel and Jordan, combined with complementary agreements regulating Jordanian use of Israeli ports, will create additional important advantages for a regional route for transit trade via Jordan. For its part, Israel will benefit from the advantages of the transit trade, both through promoting its transportation infrastructure (ports and railways), and through creating more employment and addressing logistics needs. In this context, it is very important to promote the regional railways program (*Mesilot LeShalom*) promoted by the Minister of Transport, Israel Katz. This program provides a clear example of the potential for economic cooperation and its important economic and strategic advantages for both sides.

Tourism - The limited cooperation in this field is already contributing to the Jordanian economy. However, Israeli-Jordanian-Palestinian cooperation can turn it into an important growth engine for the three economies by implementing a three-part plan, which may yield an additional several million tourists a year. The first part is joint development of the "Holy Land" brand and selling it to Christian tourists. According to studies, cooperation in this area can triple the number of Christian tourists to the Christian holy sites (as well as to historical and recreational sites). The second part is encouraging Muslim tourists to visit the al-Aqsa Mosque via Jordan (combined with tours of Israel, Jordan, and the Palestinian Authority), which today hardly exists. Studies show that joint development of this kind of tourism is complementary to the pilgrimage to Mecca and can yield several million more tourists a year. The target market should be mainly pilgrims who go to Mecca not during the specific *Haj* period (*Umrah*). The number of *Umrah* pilgrims is ten times the number of Haj period pilgrims. The third part is joint development of tourism in the areas of the Jordan Valley, the Dead Sea, and the Aqaba-Eilat area, while leveraging the unique tourism assets of these areas. In addition, there is room to increase cooperation in the development of specific tourism activities, such as the field of health tourism, in which the successful Jordanian experience can be leveraged along with the Israeli advantages in the sector.³⁶

Water and Energy - Cooperation in these areas can be expanded following existing arrangements for the exchange of water (water from the Lake of Galilee in Israel to Jordan in the north, desalinated water from Jordan to Israel in the South under the Red-Dead Project) and the export of Israeli gas to Jordan. A prominent program that needs to be thoroughly examined in this field is the exchange of Jordanian electricity, which can be generated in large solar facilities in the vast desert areas of Jordan, for desalinated water from large desalination facilities on the Israeli Mediterranean coast.³⁷ Another alley is Jordan's connection to the emerging Israel-Cyprus-Greece gas alliance.

Research, development, manufacturing, and advanced services - These areas have great potential for synergy between Israel and Jordan, which is unrealized. Jordan has developed an extensive network of marketing channels in the Gulf, Iraq and other Arab countries. Jordan's export to these markets amounts to several billion dollars a year. Cooperation with Israeli companies that leverages Israel's strengths such as its development and manufacturing capacities can lead to a leapfrog in joint Jordanian-Israeli

³⁶ Yitzhak Gal, "Options for Developing Tourism Relations between Israel and the Arab and Muslim World", unpublished work, October 2016; Yitzhak Gal, "The Jordanian and the Gulf Tourist Market - Options from the Israeli Perspective", unpublished work, August 2016; Yitzhak Gal, "Eilat, Aqaba and South Sinai - Economic Opportunities for Eilat", unpublished work, October 2010; "Regional NGO Master Plan for Sustainable Development in the Jordan Valley," EcoPeace Middle East, June 2015, pp. 140-144.

³⁷ See a preliminary plan for such a move in "Water Energy nexus: A Pre-feasibility Study for Mid-East Water-Renewable Energy Exchange," EcoPeace, Middle East and Konrad Adenauer Stiftung, May 2017.

industrial exports to these markets. Jordan is also an important player in the Arab Information Technologies (IT) market. Jordan's IT industry exports nearly 500,000 USD a year (mainly to the Gulf countries) and Jordanian IT professionals hold key positions in Gulf markets. Israeli-Jordanian cooperation in IT will allow leveraging Israeli know-how and its recognized leading role in global IT markets together with Jordan's technological capabilities and its channels to Gulf markets. Similarly, it is possible to link the export of well-developed Jordanian medical services to Arab countries with the Israeli capabilities in this area.

Jordan's National Projects - Israel can enhance its contribution to several important Jordanian national projects, in which Israel has a significant comparative advantage. For example, Israel can contribute to the rapid implementation of the Jordanian national plan for the rehabilitation of the Syrian refugees in the northern and northeastern areas of Jordan. The lion's share of this program consists of water and health projects as well as other projects in areas in which Israel is known to be a world leader. We can further add to the list focused cooperation in developing peripheral areas, especially the Eilat-Aqaba and Arava regions in the south, and the Jordan Valley and Beit Shean Valley in the north.³⁸

F. Summary

The barriers resulting from the unresolved Israeli-Palestinian conflict, along with the Jordanian disappointment with the failure to realize the fruits of peace and the mutual trust that has been compromised, make it difficult to realize the great potential of Israeli-Jordanian relations. If Israel achieves a diplomatic and economic cooperation with Jordan as profound as the security cooperation, its political standing in the region will greatly improve, and the Gulf and other important Arab countries will become its trade partners. The advantages of integrating into the regional economy are expected to serve as a new and powerful growth engine for Israel, and to yield significant economic advantages to Jordan as well.

Although full realization of the potential requires significant progress towards an Israeli-Palestinian settlement, real and valuable progress can also be made in the current state-of-affairs between Israel and the Palestinians. This can be achieved by identifying a number of economic cooperation projects of particular significance for Jordan and can be implemented relatively quickly. Among the projects mentioned above, we can promote, for example, the rehabilitation of Syrian refugees, connecting Israel and Jordan on ground and on air and other projects of cross-border regional development in the Eilat-Aqaba region (tourism, renewable energy, water desalination, etc.) and in the Jordan Valley-Dead Sea (Water, agriculture and tourism, while rehabilitating the Dead Sea and the Jordan River). These projects have high visibility, they have economic and political feasibility, and they can yield significant economic benefits for both sides. Their rapid and sustainable implementation, along with other prominent projects mentioned in this article, will help create a new atmosphere of trust in the Israeli-Jordanian peace and gradually change the attitudes of the Jordanian (and Israeli) public.

In order to enhance the positive effect of economic cooperation, it is important to also invest efforts in public relations that will focus on demonstrating the economic advantages of these measures (mainly to Jordan but also to Israel). "Success stories" in the Israeli-Jordanian context will contribute to strengthening Israel's position as an important regional player with a stabilizing, economic, and political contribution to the regional system as a whole.

³⁸ Gal, "Eilat, Aqaba and southern Sinai", *ibid.*; "The Jordan Response Plan for the Syria Crisis", Jordan Ministry of Planning and International Cooperation, January 2017; "Regional NGO Master Plan," *ibid.*, 2015.