

A Decade of Israeli-Jordanian Peace: An Untold Economic Success Story

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Michael Herzog was appointed Israel's ambassador to the United States in 2021. Previously, he was an international fellow at The Washington Institute.



Brief Analysis

Ten years on, the peace treaty between Israel and Jordan has weathered a number of storms, including the passing away of King Hussein, four years of Israeli-Palestinian armed struggle, and war in Iraq. Despite considerable domestic anti-peace pressure on the Jordanian regime (nurtured by Islamist elements) and strained Israeli-Jordanian political relations, the two countries have developed impressive security and economic relations. The economic field in particular offers a ray of hope for the future, exemplifying how things could and should be done to enhance peace.

Background

The signing of the Israeli-Jordanian peace treaty was part of the overall momentum toward peace on the Arab-Israeli front throughout the 1990s. It was preceded by the launching of the Oslo process between Israel and the Palestinians and the establishment of the Palestinian Authority in Gaza and the West Bank, and was followed by additional Israeli-Palestinian agreements and Israeli-Syrian peace negotiations. There was a great deal of hope and promise in the air.

A strong convergence of interests gathered behind the Israeli-Jordanian peace process. For Israel, an agreement offered tranquility along its longest border, a strategic buffer in the face of potential threats from Saddam Hussein, a deepening of the overall Arab-Israeli peace process, and new openings to the Arab world. Israelis were reassured by the stability of the Jordanian regime; unlike most of the Arab world, Jordan has enjoyed continuity of regime since its inception in the 1920s. For Jordan—a small, weak country caught between stronger, contentious, and often threatening neighbors such as Iraq, Israel, Syria, and Saudi Arabia—peace with Israel offered stability and vital U.S. support. Moreover, given that the majority of the country's population is of Palestinian origin, the Jordanian regime considered it essential to encourage and influence the Israeli-Palestinian peace process so as to emphasize the point that "Jordan is not Palestine." Peace with Israel carried such promise.

Due to these same geostrategic realities, however, Israeli-Jordanian relations were, from the outset, highly susceptible to the effects of regional developments, especially in the Israeli-Palestinian arena. As the balance of Israeli-Palestinian relations tipped toward violent crisis, the regime came under increasing pressure to abrogate the

treaty with Israel. This pressure resulted from several factors: the strong feelings of identification (and, in many cases, familial connection) that Jordan's majority Palestinian population held with Palestinians in the territories; incitement by Jordan's well-organized local Islamist movement; the lack of accurate public information; and the general atmosphere in the Arab world. Soon, the rejectionists had organized themselves into a vociferous antinormalization camp, headed by the Islamist elements and the trade union syndicates. Nevertheless, the regime held its ground and made clear that it would stick to the peace agreement (although it yielded somewhat by not appointing a new ambassador to Israel). Jordanian deputy prime minister Marwan Muasher recently summed up this stance, stating to Israeli reporters that, despite all the ups and downs in bilateral relations, "The peace treaty is sacred."

Economic Relations: A Success Story

The developing economic cooperation between Jordan and Israel, actively supported by the United States, is a key element behind the perseverance of their peace. Yet, it is often neglected by the media and U.S. public diplomacy. According to official Israeli statistics, the volume of goods moving across the Jordan River (the main border between the two countries) has been growing annually over the past few years by tens of percentage points and is likely to reach \$1.5 billion by the end of 2004. These goods include exports to third countries. The volume of overall bilateral trade between Israel and Jordan in the first seven months of 2004 totaled \$160 million, \$60 million of which took the form of Jordanian exports to Israel.

But the most significant economic factors are the Qualifying Industrial Zones (QIZs). These special zones, established in Jordan in the wake of the peace treaty, combine Israeli and Jordanian inputs and enjoy the benefits of a Free Trade Area agreement, allowing firms to export textiles to the United States without custom duties or quota restrictions. According to trilateral Israeli-Jordanian-U.S. agreements, at least 35 percent of every product produced in and exported from the QIZs has to combine Israeli and Jordanian inputs (the bulk of the combined input being Jordanian so as to help boost the weak Jordanian economy).

Since the initial QIZ agreement was signed in November 1997, eleven such zones have been established in Jordan, hosting approximately fifty plants and providing jobs for nearly 45,000 people (approximately two-thirds of whom are Jordanian, with most of the rest hailing from Southeast Asia). In April 2000, Jordan was admitted to the World Trade Organization (WTO). In October of that year, the United States and Jordan signed a bilateral Free Trade Agreement (with more stringent provisions than the QIZ), implemented by a presidential proclamation and the U.S. Congress. As a result of these developments, Jordanian exports to the United States have increased dramatically, from around \$16 million in 1998 to \$670 million in 2003 and a projected \$1 billion this year. Given that Jordan has a gross domestic product of approximately \$9.8 billion and less than \$3 billion in annual exports, this is a major boon to the country's economy, without which it would have been in peril. Along with this growth have come strengthening Israeli-Jordanian economic and interpersonal ties, an increasing number of Jordanian women in the labor market, increased computerization, and a growing incentive for economic and social reform in Jordan. Consequent to the peace treaty with Israel, Jordan was also granted forgiveness of its debt to the United States, increased U.S. economic and military aid, and essential water supplies from Israel.

In Arab public discourse, a question is often raised, sometimes out of curiosity, more often as criticism: Where are "the fruits of peace" with Israel? In the Jordanian case, the dividends of peace with Israel are definitely evident, and Jordan stands to lose much if it discontinues its peace with Israel. These benefits inject much-needed cement into Israeli-Jordanian peace, given the constant fueling of anti-Israeli and anti-American sentiment in the Jordanian street. They also provide the Jordanian regime with ample ammunition to counter the antinormalization camp.

Unfortunately, these benefits are not common knowledge to the average Jordanian or Arab. In the Jordanian public mind, there is no direct or clear connection between the peace treaty and the QIZ benefits. Jordanian press coverage

of the treaty's tenth anniversary highlighted disappointment and the overshadowing effect of Israeli-Palestinian relations. A noteworthy exception was the Jordan Times—an English-language daily—which carried positive articles by the Israeli ambassador, the U.S. chargé d'affaires, and even some Jordanians.

Challenges Ahead

The achievements between Israel and Jordan should not be taken for granted. The two countries should strive to further develop their economic relations; there are numerous potential joint projects to be pursued. Jordan should also look for ways to preserve the Jordanian job market in the QIZ toward the upcoming removal of textile and apparel quotas by the WTO at the end of 2004. Moreover, those who seek to promote the message of peace and reform in the Middle East should take up the challenge of making the benefits of Israeli-Jordanian peace common knowledge in the Jordanian street and affording them a fair hearing in the court of Arab public opinion. The now-turbulent Middle East is undergoing an intense battle to win hearts and minds, and there are not many success stories of this sort to be marketed.

In addition, the Egyptian government has finally been convinced by the successful Jordanian-Israeli economic model to seek a similar arrangement for Egypt. Last month it came to an initial agreement with the Israeli government on the establishment of a QIZ along the Jordanian model -- a significant breakthrough in Egyptian-Israeli economic relations. One would hope that the U.S. government—which, according to a recent Financial Times report, is reluctant to approve the deal—will likewise be impressed and convinced that the potential strategic benefits of this deal far supersede its minor potential economic shortcomings.

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