



TENTH MEETING OF JORDAN- EU ASSOCIATION COUNCIL

BRUSSELS, DECEMBER 19, 2012

STATEMENT OF THE HASHEMITE KINGDOM OF JORDAN

Jordan welcomes the convening of the tenth meeting of the EU-Jordan Association Council as the first meeting after the relationship reached a new level through the “advanced status” partnership and the finalization of the new EU-Jordan ENP Action Plan which unlocked new opportunities for the development of relations between both sides.

This meeting is of particular importance as the region has witnessed fundamental transformation, and Jordan has embarked on an accelerated course of economic and political reforms.

Jordan prides itself on its relations with the EU, particularly as the region and Jordan are undergoing key changes, and will continue to work for further enhancement of this relationship, and consolidating of its partnership with the European Union.

Jordan appreciates the longstanding commitment and the continued support it receives from the European Union in this regard.

Part One: Foreign Policy

- 1) Under the leadership of His Majesty King Abdullah II, Jordan has spared no effort to steer the region towards peace, stability, and prosperity, and as core national interest for Jordan in the region; Jordan will remain a strong proponent for moderation as the key instrument to such goals.
- 2) Despite the transformations the region is witnessing, the Palestinian-Israeli conflict remains the core problem for the Middle East, and addressing this issue is essential to avoid derailments or setbacks in times of transition.
- 3) The two state solution, that culminates in the establishment of an independent, viable, and territorially contiguous Palestinian state on the territories occupied in 1967, with East Jerusalem as its Capital and that lives side by side with the state of Israel, remains the only path to end the conflict between the two parties, and the key prerequisite for comprehensive peace in the region, based on the internationally agreed upon terms of reference for Middle East Peace and the Arab peace initiative.
- 4) Being directly affected by the progress and outcome of Palestinian-Israeli negotiations through Jordan’s direct national interests in final status issues, particularly refugees, Jerusalem, borders and security, and water, Jordan is a direct stakeholder in these negotiations and their outcomes.
- 5) The Quartet statement of the 23rd of September 2011 stipulated that the Palestinians and the Israelis will reach an agreement by the end of 2012, and that they will exchange comprehensive proposals on territory and security within three months, constituted, from a Jordanian perspective, a concrete step in the direction of addressing Jordanian national interest in achieving peace between the Palestinians and the Israelis.



- 6) In the last quarter of 2011 His Majesty King Abdullah II spearheaded a diplomatic effort amongst key actors regionally and internationally to seize the opportunity of the timeframes set forth in the Quartet statement for the two parties to achieve substantial progress in the negotiations, and also made a historic visit to Ramallah and met with president Abbas.
- 7) These efforts culminated in the launch of the Amman exploratory talks between the Israeli and the Palestinian sides, in coordination and collaboration with the members of the Quartet and its representative, in order to avoid the undermining of the Quartet 23rd of September statement with the elapsing of time and the absence of progress.
- 8) These five rounds of talks took place in a positive atmosphere and the parties showed seriousness and commitment, and as a result the atmosphere created in Amman there was the positive exchange of letters between President Abbas and Prime Minister Netanyahu and the continued regular exchanges between the negotiators from both sides.
- 9) As a direct stakeholder with vital national interests in peace in the region, and particularly between Palestinians and the Israelis, Jordan will continue to engage with the all key actors so as to realize the Two State Solution and reaching an agreement on all final status issues between the two parties.
- 10) Jordan considers the UN vote on the upgrade of the status of the State of Palestine is a step in the right direction, and the visit of His Majesty King Abdullah II to Ramallah in the week following the vote was a testimony of Jordan's unequivocal support to the Palestinian State and its leadership.

Jerusalem

- 11) Jordan is deeply concerned by Israeli unilateral measures which adversely affect Occupied East Jerusalem and constitute a breach of International Humanitarian Law, which remains applicable at all times in relation to the Al-Aqsa Mosque Compound as part of the Cultural Property occupied from Jordan in 1967.
- 12) Through its continuous and illegal diggings and intrusive excavations, Israel as the Occupying Power in East Jerusalem, continues to violate International Humanitarian law; adversely affecting the integrity, authenticity and culture heritage of protected Sites therein.
- 13) Despite the Israeli Occupation of East Jerusalem in 1967, the Al-Aqsa Mosque Compound, and all other Muslim and Christian holy sites in the Occupied East Jerusalem, remain under continuous Hashemite custodianship and safeguarding since 1921, recognized by the 1994 Jordan-Israel peace treaty, and protected as occupied territory by international law.
- 14) Any change in the status quo or division of the site of Al-Aqsa Mosque Compound would be viewed, not only as a breach of Israel's obligations under international law, and its treaty obligations to Jordan but as profound religious transgression to more than 2 billion Muslims. The international community must send a clear message that such a transgression - or any attempt to erase the Arab, Muslim, or Christian identity of Jerusalem - will not be tolerated.
- 15) Jordan is deeply concerned over the continued Israeli plans for the construction of settlements in the Occupied Palestinian Territories including East Jerusalem, and calls upon the European Union and the international community to take effective measures to uphold the principle of the Illegality



of all such settlement activities, which are circumventing the possibility for a contiguous and viable Palestinian State and the future of the Two- States solution itself.

Syria

- 16) Jordan believes that violence must end immediately and a transition must begin concurrently maintaining that there is no alternative to a political solution that will end the bloodshed, restore security and stability, and preserve the territorial integrity of Syria and the dignity and unity of its people.
- 17) Jordan support the U.N. and it's important role in helping people commit to a political solution. Jordan will do all in its power to support the representative of the Secretaries General of the UN and Arab League, Mr Lakhdar Brahimi.
- 18) Jordan is host to over a quarter of a million Syrians who have sought refuge in Jordan over the past 18 months. This has placed a significant pressure on Jordanian services, resources, and infrastructure, particularly health and education, nonetheless, Jordan remain committed to provide the shelter and refuge to Syrians in search of security and safety, despite the economic hardships that the country is facing.
- 19) Jordan and the UN agencies agreed on the formation of a joint operational mechanism to deal with the influx of Syrians into Jordan as a result of the ongoing violence there, this joint mechanism represents an advanced level of cooperation and coordination on all levels and will allow Jordanian-UN cooperation to address the emerging needs of the Syrian crisis and consolidate the efforts through better coordination.

Jordan's Key Political and Economic Reforms

- 20) Jordan has accelerated the pace of political reforms particularly reforms geared towards further strengthening its democratic, multi-party political system, in response to people's aspirations for enhanced accountability, transparency and for a more effective voice in the decision-making process. In this context, a historic revision of the Constitution was made, with the objective of enhancing the balance between the executive, legislative, and judicial authorities, in addition to approving and amending key legislations; the Anti-Corruption Law, the Public Gatherings Law, Political Parties Law, Law for the Establishment of a Constitutional Court, which was set up by a Royal decree on October 6, 2012.
- 21) The new Elections Law and the establishment of the Independent Electoral Commission have been a key reform movement, based on which the upcoming Parliamentary elections will be held on 23 January 2013. The Independent Electoral Commission has already extended invitations to international inter-governmental and non-governmental organizations and entities to observe the upcoming elections.
- 22) The Government of Jordan also took concrete steps towards expediting reforms in policy areas of improving transparency and accountability, improving budget and debt management, as well as enhancing the efficiency of government spending and services delivery. In this context, key economic legislation were approved by the Government and sent to Parliament for approval,



including a new Public Private Partnership Law, an amended Tax Reform, a new Audit Bureau Law, and Reorganization of Trader Business, Bankruptcy and Liquidation Law, in addition to a new Islamic Sukuk Law (*already approved by Parliament*). Additionally, the Government is in the process of revising the Investment Law and the Secured Lending Law. These laws aim at further enhancing the business and investment climate in the Kingdom, while promoting private sector development.

Jordan's Economic Outlook

- 23) External pressures on Jordan's economy intensified in 2011 and in early 2012 creating a fiscal crisis and quick slowdown in growth and employment in view of the spillover of regional tensions on tourism and investment, the limited access to natural gas resources for electricity generation following the interruption of flow of gas from Egypt in April 2011, and the flow of around quarter of a million Syrian refugees in Jordanian cities and communities, as well as the virtual halt of movement of goods through Syria to Jordan's major export markets in Europe.
- 24) The most crucial element in Jordan's fiscal crisis is the interruption of the flow of Egyptian gas, requiring a shift to much more expensive fuel for electricity generation at a time when oil prices have seen considerable increases. Jordan has faced the highest energy bill in its history, reaching 18.5 percent of GDP in 2011 compared to an average of 10 percent over the past decade. The high energy import bill has also put significant pressures on the Central Bank of Jordan's reserves, pushing up public debt, while widening the current account deficit.
- 25) Jordan's external vulnerabilities from a high energy import bill are likely to remain over the coming period. Jordan continues to remain vulnerable to developments in the region, including the urgent needs to provide key services to Syrian refugees in the country. The impact of these costs on the budget has been a key factor pushing Jordan into an IMF Program through a 3-year Stand-By Arrangement this year to support the country's fiscal reform program and provide for needed liquidity during these critical times.
- 26) This program has been structured within a National Economic and Fiscal Reform Plan that aims to provide an exit strategy for Jordan from the current predicament by undertaking fiscal and economic measures to reduce its deficit and debt levels. This program entails removing subsidies on fuel derivatives and restructuring a subsidy system that targets lower income families. It also entails gradual but continuous increases in electricity tariffs to reach a break-even point in 2017 among other revenue generating measures and energy policy actions, as well as structural adjustments.
- 27) In this context, significant measures were undertaken to lower the deficit in 2012, including cuts in expenditure in addition to the elimination of subsidies on refined oil products and increasing electricity tariffs (*the delay in implementing these measures until the second half of 2012 was due to social considerations and was compensated by additional measures*).
- 28) For 2013 and beyond, the Government remains firmly committed to its fiscal consolidation program, where the Government plans to further reduce the primary fiscal deficit (*after grants*) to 5.5 percent in 2013 (US\$1.9 billion); thus, implying additional measures than those implemented in 2012. The budget deficit (*before grants*) is expected to reach US\$3.1 billion, representing 9.3 percent of GDP.



- 29) Nevertheless, the Government's fiscal consolidation measures will be seriously jeopardized by regional instability, mainly the deteriorating situation in Syria and the influx of Syrian refugees into Jordan. Hosting over 200 thousand Syrians in Jordanian towns and cities by the end of 2012 is expected to cost the country more than US\$650 million to cover the increasing demand on basic services and other current expenditures including education and health services as well as subsidized energy, water and bread. Additionally, the Government of Jordan opened the Za'atari camp that accommodates 45,000 Syrian refugees with the capacity of 60,000 refugees, with an establishment cost of around US\$105 million and monthly running cost of US\$13.4 million. The Government of Jordan is currently in the final stages of constructing a new camp with an estimated cost of US\$50-60 million at a monthly running cost of US\$6.7 million to accommodate 30,000 refugees.
- 30) Furthermore, the situation in Syria has greatly impacted trade levels (*bilateral trade with Syria and transit trade through Syria*) and the transport sector. Jordanian exports to Syria decreased considerably. Transit trade through Syria is expected to stop, which will negatively affect our agricultural exports to Lebanon, Turkey and Europe through Syria, which are on average worth US\$420 million. This will result in serious losses for Jordanian producers in addition to the increase in the cost of alternative shipping modes (*by roads or air shipping routes*), thus affecting the competitiveness of Jordanian agricultural produce (*vegetables and fruits*) in the Lebanese, Turkish and European markets.

Jordan EU Bilateral Relations

EU-Jordan Partnership

- 31) This year marks the tenth anniversary of the entry into force of the EU-Jordan Association Agreement. Jordan highly values its strategic partnership with the EU on all fronts, a partnership that contributed to advancing the EU-Jordan relations not only on the bilateral level, but also on the regional front.
- 32) The Advanced Status Partnership and the Joint Action Plan (2011-2015) represent a key milestone in the EU-Jordan longstanding friendship, and constitute a roadmap to further strengthen the existing relations based on the core values of promoting peace, stability and prosperity.
- 33) Jordan is pleased with the outcomes of the first meeting of the Jordan-EU Task Force held in February 2012, which builds on the Advanced Status Partnership, and represented an opportunity to explore new avenues for advancing bilateral cooperation. The task force was of crucial importance towards deepening our relations, supporting the political and economic reforms and enhancing effective coordination between the EU and its Member States, as well as other European and international bodies.
- 34) Jordan is also pleased to assume the Co-Presidency of the Union for the Mediterranean (UfM) with the European Union, and is keen to working closely with the EU towards meeting the UfM objectives. Jordan looks forward to a greater role for the Secretariat in supporting and coordinating projects labeled to date.
- 35) Jordan remains committed to maintaining its dialogue with the EU at all levels. In this context, Jordan was satisfied with the outcomes of the Eighth Meeting of the EU-Jordan Association Committee held in September 2012 in Amman, during which both sides resumed their political



dialogue and discussed recent progress on the political and economic reform agenda, in addition to issues related to regional developments, as well as regional cooperation. The EU highly recognized Jordan's strong commitment to the implementation of the reforms and the measures as articulated in the ENP Action Plan.

- 36) Jordan underlines the importance of continuing its sectoral dialogue with the EU through the EU-Jordan subcommittees, which have been vital towards deepening bilateral cooperation and reaching a common understanding of developments in the various sectors, particularly, in the context of the implementation of the Association Agreement and the Joint Action Plan, in addition to touching on important aspects of the EU-Jordan partnership.
- 37) In 2012, a new round of sub-committees meetings was held on Human Rights, Social Affairs, Research and Innovation and Customs Cooperation, in addition to EU-Jordan Eight Economic and Reforms Dialogue, which was held in October 2012.

Trade and Investment Cooperation

- 38) The EU is still Jordan's main trade partner covering around 16 percent of Jordan exports and imports, yet, Jordan still faces a large deficit in its balance of trade; of an average of US\$3 billion for the period 2007-2011. Jordan aspires that the new proposal for concluding a Deep and Comprehensive Free Trade Agreement (DCFTA) will further develop closer trade ties, maximize opportunities, offered by the EU-Jordan Association Agreement; mainly, through including the issue of simplification of bilateral rules of origin in the upcoming agreement's coverage and reducing technical barriers to trade, with the ultimate objective of increasing Jordan's stake in EU's Internal Market. Moreover, Jordan is looking forward to completing discussions on the scope of the DCFTA, reflecting both sides' trade interests and accordingly committed to move forward in the preparations of the negotiations of the agreement.
- 39) Jordan seeks to further strengthen its investment relations with the EU and emphasizes on the importance of the EU-Jordan Taskforce Report on Business Community Meeting. The report underlined the main challenges that were identified by the private sector, and highlighted the potential areas of investment opportunities in the aim of reinforcing mutual cooperation.

Financial Cooperation

- 40) Jordan is grateful for the continued support and assistance extended by the EU over the many years. The EU continues to be a key partner in Jordan's development and reform process. Jordan and EU are jointly working towards the implementation of the agreed upon programs in the National Indicative Program (2011-2103).
- 41) Additionally, Jordan highly appreciates the additional support of Euro 70 million under the "Support for Partnership, Reforms and Inclusive Growth - SPRING" Programme announced by the EU at the Task Force meeting early 2012. This support is of crucial importance to assist the Kingdom in moving forward with key political, democratic, social and economic reforms, while maintaining fiscal and macroeconomic stability, in addition to supporting the electoral process, and the justice sector, as well as job creation and SMEs growth.



- 42) In this context, Jordan highly recognizes the EU's prompt response towards concluding the related financing agreements in the value of Euro 60 million under this Programme, and in making available Euro 40 million as a fast track general budget support program for 2012 and 2013. Both sides are currently finalizing the last grant agreement under the SPRING Programme for Euro 10 million for the Support to Enterprise and Export Development Programme to be signed by end of December 2012.
- 43) Jordan also reaffirms the significance of the EU's capacity and institutional building tools (*Twining, TAIEX, Sigma and TA projects*) towards achieving the aspired harmonization and approximation with the EU norms and standards in a view of bringing Jordan closer to the EU, and underscores the significance of these tools in the implementation of the "Advanced Status" Joint Action Plan.
- 44) The EU's continued support to Jordan particularly within the next programming cycle under the European Neighborhood Instrument (ENI) for the period 2014-2020 will be of significant importance to further consolidate the existing partnership, build on the outcomes of current programs, ensure the sustainability of democratic, political and economic reforms, in addition to cooperating in vital sectors that are of strategic importance to the development of Jordan, particularly the sectors of water, energy and transport; also key to enhancing regional integration with the EU.
- 45) In this context, Jordan counts on the EU to increase the allocations for the Southern Mediterranean countries (*including Jordan*) under the new ENI, and looks forward to continuing its dialogue in the coming weeks on priorities for support and cooperation under the next programming cycle.
- 46) The European Investment Bank has significantly contributed in assisting Jordan in its development efforts over the past years. Jordan commends EU continuous support to the Neighbourhood Investment Facility, which would contribute in supporting large investment projects in the neighbourhood countries, particularly in areas of transport, energy, environment, water and private sector development.
- 47) Since the completion of its membership process in 2011, Jordan worked closely with the EBRD on identifying key priorities for the Bank's activities in Jordan. These focus on supporting private sector development, sustainable energy and facilitating sub-sovereign financing. Jordan appreciates the commitment of EBRD in moving forward with project approvals since September 2012. Jordan will endeavor to intensify efforts to ensure that the Host Country Agreement is finalized with the Bank before the end of December 2012.

EU Assistance to Syrian Refugees in Jordan

- 48) Jordan is appreciative for the EU's prompt support in response to the increasing influx of Syrians who have sought refuge in Jordan, particularly the Euro 10 million extended through the UNICEF to ensure safe and appropriate education services for vulnerable Syrian children in host communities, as well as for the humanitarian aid extended by ECHO of Euro 6.3 million through international agencies operating in the country.

Sectoral Cooperation



- 49) On cooperation in the field of science and technology, and based on the signed Scientific and Technological Cooperation Agreement in November 2009, the second meeting of the Joint Committee of this agreement was convened back-to-back the sub-committee on research and information society on 20 March 2012, during which it was stressed the importance of the dialogue in the framework of the said Committee as it provides a structure for policy dialogue, exploit synergies and complementarity in research in addition to examine opportunities for participation in different research schemes including FP7 Programme. Additionally, the implementation of the second phase of the EU-funded project "Support to Research and Technological Development and Innovation Initiatives and Strategies in Jordan (SRTD II), signed in February 2012, in an amount of Euro 5 million has already started.
- 50) Moreover, and in light of the challenges Jordan continues to face in the energy sector, as well as the efforts towards diversifying the energy sources, Jordan continues to attach great significance to cooperating with the EU in the energy sector. While we highly appreciate the ongoing EU projects for the capacity building in wind energy and concentrating solar power and renewable energy and energy efficiency to help Jordan in developing the renewable energy and energy efficiency, Jordan looks forward to further support from the EU in order to develop and invest in this sector particularly under the new ENI.
- 51) Transport is a key sector in the EU-Jordan cooperation. Jordan and EU signed on 15 December 2010 a Comprehensive Aviation Agreement aims at further opening up and integrating both sides respective markets, strengthening cooperation and offering new opportunities for consumers and operators. Although the results are very low since the entry into force of the agreement, Jordan continues to count on this agreement in enhancing the cooperation with EU in transport, trade and tourism sectors. To this end, we are pleased with the plan to hold the first Joint Committee of the EU-Jordan Aviation Agreement in Amman on 10 January 2013 aims at providing both sides with the first impact of this agreement.

Jordan's Participation in EU Programmes

- 52) Jordan has already expressed its interest in concluding and signing a protocol with the EU on a Framework Agreement on the General Principles for the participation in the Union's programmes as a key step towards boosting our sectoral cooperation and assisting in strengthening the institutions, reform process and aligning the legislation, norms and standards with European legislation and practice as well as encouraging regulatory and administrative reform. Both sides have agreed to sign this Protocol during the Association Council meeting on 19 December 2012.