

# COVID-19 and the Path of the Jordanian Economy to a Competitive Economy

Wisam SAMARAH<sup>1</sup>

<sup>1</sup>Assistant Director, Alquds Open University, wsamarah@qou.edu, 0000-0003-1931-8038

**Abstract:** The purpose of this paper is to look at the policies implemented to prevent the spread of coronavirus (COVID-19) on the convergence of the Jordanian economy to a competitive economy. Intuition, observations, and literature were used to investigate the effect of the policies to combat COVID-19.

Our investigation indicated that the policies implemented to protect its citizens from COVID-19 were effective. In addition, these policies had aided in either contributing positively or preventing the deterioration – maintaining their current status – of the 3rd, 4th, and 5th pillar of the Global Competitive Index.

**Key Words:** Competitive Economy, COVID-19, Jordanian Economy, Recession.

## 1. INTRODUCTION

Jordan is a nation of 9 million people. Its population strives on the instability of neighboring countries due to the Jordanian hospitality and their responsibility towards other nations. The first massive migration by the Palestinians to Jordan was a result of the creation of the Israeli state in 1948 followed by the Israeli invasion of the West Bank and Gaza Strip in 1967. The second collective migration by Iraqis to Jordan was a result of the US invasion of Iraq in 2003. Finally, the Syrians were the last to migrate to Jordan as a result of the civil war in Syria.

Jordan is a small and open economy, where the service sector contributes the highest percentage to Growth Domestic Product (GDP). The Jordanian government is constantly trying to encourage the industrialization of the country's economy. However, these efforts are not producing the expected results.

The Jordanian economy produces 0.07 percent of the world's GDP with a GDP per capita of 4,278.30 United States Dollar (USD). It averaged an annual growth rate in the GDP of 2.2 percent for the period from 2009 to 2019. (Schwab, 2019, p. 310). Jordan was ranked 70/141 in 2019. (Schwab, 2019, p. 329).

### 1.1 Defining a Competitive Economy

The Global Competitive Index (GCI) 4.0 is made up of 12 pillars and they are as follows:

1. Institutions
2. Infrastructure
3. Information and Communication Technology (ICT) adaption
  - a. Mobile-cellular telephone subscriptions per 100 population

- b. Mobile-broadband subscription per 100 population
- c. Fixed broadband internet subscriptions per 100 population
- d. Fiber internet subscriptions per 100 population
- e. Internet users' percentage of adult population
4. Macroeconomic stability
  - a. Inflation rate in percentages
  - b. Debt dynamics
5. Health
  - a. Healthy life expectancy in years
6. Skills
7. Product market
8. Labor market
9. Financial system
10. Market size
  - a. Gross Domestic Product (Purchasing Power Parity) in billions of dollars.
  - b. Imports of goods and services as a percent of the GDP.
11. Business dynamism
12. Innovation capability

The purpose of this paper is to look at the policies implemented to prevent the spread of COVID-19 on the convergence of the Jordanian economy to a competitive economy. The objective of a competitive economy is to utilize a countries' resources in the most efficient way.

## 1.2 COVID-19 and the Jordanian Economy

Like other economies over the worlds, Jordan was faced with the challenge imposed by COVID-19. Thus, the Jordanian government had to react quickly and decisively.

On March 2<sup>nd</sup> 2020, the Jordanian government announced its first COVID-19 case, when a person had travelled to Italy. The government initially had quarantined the coronavirus cases in five-star hotel located in the Dead Sea (Singh, 2020). Due to the huge socio-economic impact that COVID-19 had on the world, it was important to implement strict and hard measures to protect its citizens against the spread of the virus. On March 17 2020, the Jordanian government temporarily closed down airports, sea ports, and land borders, on March 21<sup>st</sup> the government instituted a full-scale lock down, where churches, government offices, schools, public transportation, entertainment centers, mosques, and universities were all fully closed. On March 25<sup>th</sup> limited movements on foot were allowed and people were no longer permitted to use their cars with strict evening lockdowns. Finally, in early May, the government had eased restrictions gradually with placing safety standards such as masks and social distancing. The idea was to act quickly and decisively placing the human well-being as a priority over the economic losses (Kebede, Stave, Kattaa, & Prokoo, 2020, p.12).

Thus, since the beginning of the pandemic, the Jordanian government had urged its citizens to stay at home and not leave except for emergencies. In order to enforce these policies, it called for the Jordanian military whom in turn were spread and present on the streets. The government had also decided to close down the private sector with the exception of the health sector, prohibited the gatherings that exceed 10 people, and prohibited movements between the different municipalities (Media Arabia, 2020).

In addition, it stopped the printing of newspapers (while maintaining a digital version), and stopped mass public transportation. Nonetheless, pharmacies, grocery stores and bakeries remained open.

The tourism sector was hardly hit. The closure of Queen Alia International Airport in Amman was a major blow to the tourism industry. This closure had prohibited hosting of tourist groups from countries such as South Korea, Italy, and Iran. All air travel was cancelled with the exception of shipping to and from the Kingdom since the 17<sup>th</sup> of March 2020 (Media Arabia, 2020).

The restaurant business was also hardly hit. Meanwhile, other sectors of the Jordanian economy had improved such as e-learning, distance learning, and lectures broadcasting for both primary and secondary education. The medical sector had also seen an increase in demand for its products especially pharmacies, medical equipment, all kinds of sanitizers and its related products. After the Jordanian government had eased its restrictions and allowed for food delivery from restaurants and other stores there was an increase in delivery services (Media Arabia, 2020).

In order to aid the economy, the Jordanian government created two funds. The first is managed by the government and received donations from different entities and individuals. The second fund was called "Himmat Watan" translates to the nation's efforts and is managed by business leaders and receives donations from the private sector (Kebede, Stave, Kattaa, & Prokoo, 2020, p.12).

The Central Bank of Jordan (CBJ) had also joined the government efforts to stimulate the economy and reduce economic losses to both business and workers. To aid the Small and Medium Sized Enterprises (SMEs) that are facing the risk of closure; the CBJ established a soft loan and a low interest loan fund with the Jordan Loan Guarantee Corporation acting as the guarantor for the firms that receives loans. To protect the workers, firms that received these loans were prohibited from laying off any of its employees during the duration of the loan (Kebede, Stave, Kattaa, & Prokoo, 2020, p.12).

On March 3<sup>rd</sup> of 2020, the CBJ decreased the interest rate from 4 percent to 3.5 percent. On the 16<sup>th</sup> of March it further reduced interest rates from 3.5 percent to 2.5 percent. It also gave permission for the banks to reschedule loans especially for the hard-hit sectors, till the end of 2020 at no extra cost. Finally, the CBJ reduced the Required Reserve Ratio (RRR) from 7 percent to 5 percent, thus increasing the money supply – releasing an additional liquidity into the economy – by around 550 million Jordanian Dinar (JD) which is equivalent to around 775 million USD (Kebede, Stave, Kattaa, & Prokoo, 2020, p.12).

The Jordanian government had also announced that it will postpone the collection of sales taxes till they sell all their goods rather than at the time of signing the contract for all food supply and health sector firms. In addition, it allowed the payment of only 30 percent of their customs fees and postponing the remaining 70 percent for all the firms listed in the golden and silver Jordan Customs Department (Kebede, Stave, Kattaa, & Prokoo, 2020, p.12).

The Jordanian government had announced a number of Defense Orders to support enterprises, jobs, and workers. On March 17 of 2020, the Prime Minister (PM) Omar Razzaz activated the National Defense Law following a Royal Decree. This law allows him to make legal decisions without referring to the parliament during the duration of the crisis (Kebede, Stave, Kattaa, & Prokoo, 2020, p.13).

Defense Order No. 1 was activated on March 19 of 2020, replacing some of the provisions suspended from the Social Security Law. This order granted the Social Security Corporation (SSC) authority to

1. Enterprises to suspend payments for old age for a period of 3 month starting from March 1<sup>st</sup> 2020 without temporarily terminating the converge for death, maternity, occupational health, and unemployment.
2. Enterprises to pay social security installments till the end of 2023 without any interest or penalties of any kind.
3. 50 percent of the maternity income fund of 2020 is used to support the needy such as compensations for daily workers and the elderly.

The Jordanian government had also aided the most vulnerable households with emergency cash payment and relief aid through the formation of a social protection team headed by the Minister of Social Development. This team included membership from the National Aid Fund (NAF), national civil society organizations, and SSC (Kebede, Stave, Kattaa, & Prokoo, 2020, p.14).

On April 8<sup>th</sup> 2020, the PM issued Defense Order No. 6. This order aimed at securing the private sector employment and wages reducing the impact of COVID-19 measures on both the employers and employees, and aid in a quick economic recovery. This was achieved by laying-out the rights and responsibilities of both the employers and employees, and guided the process of the gradual openness of the economy and the return to the normal status (Kebede, Stave, Kattaa, & Prokoo, 2020, p.14).

This order stated that the first two weeks of the total lockdown – the period from March 18<sup>th</sup> to 31<sup>st</sup> – all workers are entitled to their full salaries and no deductions from their annual leaves. In addition, workers who performed any type of overtime work during the period from March 1<sup>st</sup> to 31<sup>st</sup> are entitled to full overtime pay as normal (Kebede, Stave, Kattaa, & Prokoo, 2020, p.14).

Firms that resumed operations on April 1<sup>st</sup> 2020 – with permission from the Jordanian government – are expected to abide by the Standard Operating Procedures outlined by the Ministry of Labor. Employees are entitled to their full salaries. Nonetheless, employers can negotiate a reduction of their salaries for up to 30 percent. Meanwhile, firms that were prohibited by the government to resume operations were obligated to pay 50 percent of the employees' salaries given that they do not fall below the standard minimum wage of 220 JD that is equivalent to 310 USD (Kebede, Stave, Kattaa, & Prokoo, 2020, p.14).

Migrant workers employed by the industrial sector receive a monthly payment of 220 JD. In addition, factories are allowed to pay 50 percent of migrant worker's salaries given they do not fall below the minimum wage only with the approval of the Ministry of Labor. Nevertheless, firms heavily affected are able to apply for permission from the government not to pay their migrant workers. However, accommodations and food should be provided and the suspension period will not be deduced from duration of the work visa which is three years (Kebede, Stave, Kattaa, & Prokoo, 2020, p.14).

Defense Order No.9, was issued by the PM on April 17<sup>th</sup> of 2020. It targeted the protection of businesses, daily wage workers, and freelancers. It was also designed to aid the private sector in fulfilling its obligations outlined in Defense Order No. 6. This is achieved by the creation of a number of programs, where the first program is called "Tadamin" which translate to solidarity. This program supports firms "whose activities were completely or partially disrupted and whose workers are covered by provisions of the Social Security Law" (Kebede, Stave, Kattaa, & Prokoo, 2020, p.15). Under this program "the SSC will allocate 50 per cent of deducted wages of SSC-insured workers (for amounts ranging between 165 JD and 500 JD). The establishments/ employer, prior to disbursement, will pay the SSC 20 per cent of the deductible wages of SSC-insured workers, with a maximum of 250 JD" (15). Three other programs were included in this order (Kebede, Stave, Kattaa, & Prokoo, 2020, p.15).

The Jordanian economy estimated loss from COVID-19 was 1.5 percent of the GDP of 2019 GDP for the first nine months. The GDP was 44 USD billion in 2019. So, the loss from COVID-19 is around 660 USD million. Meanwhile, the tourist sector had the most losses with an 18 percent of GDP and of total employment in 2019 (World Bank, 2021).

Nonetheless, the Jordanian government's response to COVID-19 aided in the push towards a digital economy, where online sales had increased – especially online groceries during the quarantine (Samarah, 2020). Businesses had started to explore opportunities online. Universities all over the world – including Jordan – started taking advantage of applications such as Zoom to conduct conferences and international meetings.

Let's take a closer look at what a digital economy means. The world had experienced an agricultural and industrial revolutions; however, the recent decades had marked the beginning of an informational revolution. This in turn, had brought curtailed improvements in productivity, caused vital changes in productive relations and created new activities, products and services. This revolution had paved the way for more and more individuals, companies and countries to shift their focus to digital economy. This is due to its benefits that include the high speed of transactions, low costs and international coverage (Guo, Ding, & Lanshina, 2017, p. 170).

The concept of digital economy was introduced by Don Tapscott – a Canadian Business executive and strategist in 1995. Today digital economy is characterized by technologies such as fixed broadband access, mobile broadband smart phones and their apps, interactive websites, social networks, sharing platforms, cloud computing and the internet. These technologies expand human productivity due to the fact that these technologies permeate the world's economy. Thus, these technologies are increasingly being used in the different aspects of human life such as retail (e.g., e-commerce), education (e.g., massive availability of online courses), health (e.g., electronic records and personalized medicine), and social interactions and personal relationships (e.g., social networks) (United Nations, 2018).

The movement towards digital economy – applying the digital and technological skills – is forecasted to cause the world economy an increase of 2 trillion USD in economic output by the year 2020 (Guo, Ding, & Lanshina, 2017, p. 170). The digital economy will stimulate innovation, generate efficiencies, and improve the level of services. It contributes to enhance productivity, growth, job creation, and increases the rate of achieving sustainable development goals.

Nonetheless, as a country moves towards a digital economy, there are important challenges that manifest. Policy makers have to deal with issues related to privacy, security, consumer policy, competition, jobs, and skills.

To better understand any economy, we need to look at the supply and demand side for that economy. So, let us start by looking at the main components of the supply side of the digital economy. When looking at the supply side the following three main aspects are considered:

1. The ICT sector.
  - a. Scope and Value added.
  - b. Employment in the ICT Sector.
  - c. Trade in the ICT sector.
2. Recent Status of the ICT Infrastructure.
3. Digital Innovation: Research and Development expenditure and Investment.
4. New Business Models: Digital Driven Innovation and Sharing Economy.

Now let us look at the key aspects of the demand side for the digital economy. The demand side deals with the users of digital technologies. They are as follows:

1. Internet used by household and individuals.
2. ICT-use by business.
3. Digital transformation of government services.
4. Skills for the digital economy.

Clearly, a digital economy is different from a competitive economy. However, the transformation to a digital economy would contribute positively to the competitiveness of an economy. Therefore, this paper will examine the effect of COVID-19 policies implemented on the path of convergence of the Jordanian economy towards a competitive economy.

The importance of this paper lies in the fact that it is an assessment of the different policies implemented by the Jordanian government in response to COVID-19. In addition, natural disasters are occurring more often these days. So, it is important for an economy to withstand these disasters. This is why this paper aims to demonstrate how certain policies can minimize the negative effect of a natural disaster and sometimes gain benefit from these events. Thus, governments can play a vital role in minimizing the losses of a certain catastrophe.

## 2. MATERIAL AND METHODS

Due to the lack of data, this paper will use intuition, macroeconomic theory and observations to analyze the effect of policies that were implemented by the Jordanian government – both social and economic – in order to converge the Jordanian economy to a competitive economy. We will analyze how implementing both expansionary fiscal and monetary policy affect the pillars of a competitive economy. Thus, we will look at the implementation of different policies by the Jordanian government and their effect on the twelve pillars of a competitive economy.

## 3. literature review

COVID-19 had impacted the Arab countries' economies, as it did with the rest of the world. Mehdi, Gheraia, Abdelli, Sekrafi, & Diaw (2022) examined the impact of COVID-19 on the economy of Arab countries, focusing on financial markets in terms of financial fragility. In addition, the paper studied commercial services, monetary system and banking sector. The paper concluded with a number of recommendations for both the short term and long term. In the short term, these recommendations will aid the Arab economies to overcome the crisis safely. Meanwhile, these measures will make the Arab economies more resilient in the long term. The most important policies that should be adapted by Arab central bank are providing financial incentives and adapting an expansionary monetary policy.

Samarah and Rahman (2020) studied the responses of the Palestinian and Israeli governments' policies towards the COVID-19 pandemic, where some nations considered the economy more important than the human life. The paper concluded that the Palestinian government was not among the nations that considered the economy as higher priority compared with human life. Looking at the Jordanian's government response towards COVID-19 we can also assert that Jordan was also among the nations that considered the human life as a higher priority. Compare to both the Israeli government and the Palestinian government response to COVID-19, the Jordanian government's response was firmer and more assertive. It utilized its military in order to enforce the quarantine. In addition, it rapidly closed down its airport. This had also demonstrated the control of the Jordanian government over its borders. This control was positively used in order to prevent the rapid spread of COVID-19 among its citizens.

Now, we will assert the literature that covers the impact of COVID-19 on Jordan.

Alqutob, Al Nsour, Tarawneh, Ajlouni, Khader, Aqel, Obeidat (2020). Had discussed the different strategies that Jordanian government had implemented in order to prevent the spread of COVID-19. They also came up with different scenarios of how the spread of the virus will occur. The paper had discussed how it was necessary to contain the virus and at the same time keep the economic, social and the financial activities going. A number of recommendations were given to contain the virus and support the health system in Jordan. The most important one was to increase the intensive care unit and the respirators.

In this paper we look at the effect of COVID-19 on the Global Competitiveness Index pillars for Jordan. We will also examine the effect of imports on the economic growth in Jordan in the context of a competitive economy.

Al-Tammemi, (2020). Presented an overview of the battle against COVID-19 in Jordan and discussed how collaboration had occurred in crisis management. The paper had also discussed the economic impact of COVID-19 on Jordan and how a generous fund was created to aid the Jordanian society, the article had concluded that the Jordanian government response was promising and indicated the importance of the collaborative efforts.

Abu-Mater, Alsufy and Afifa, (2020). Examined the effects of COVID-19 on the economic climate contained in Jordan. The paper concluded that there's an economic impact across the nation. Nevertheless, it's realized that the constant lockdown is actually a threat to the overall performance of companies. The paper also looked at the causes that matter to decision makers in government institutions, and administrators in Jordan respond to it.

## 4. RESULTS AND DISCUSSION

Our above analysis had resulted in an indication of a positive effect on the 3<sup>rd</sup>, 4<sup>th</sup>, and 5<sup>th</sup> pillars of the 12 pillars of the Global Competitiveness Index.

The policies implemented by the Jordanian government to protect its citizens from COVID-19 had proved to be effective in terms of health. On July 8<sup>th</sup> of 2020, the total number of cases in Jordan was 1,169 with 10 people deceased. Comparing the Jordanian mortality rate to that of neighboring countries: the Palestinian territories had 21 deceased, Lebanon had 36 deceased, and Israel had



343 deceased – the Jordanian numbers were evidently quiet low. Thus, these policies had aided in maintaining the 5<sup>th</sup> pillar of the Global Competitive Index in its current status and prevented deterioration in the life expectancy.

Unfortunately, after the removal of these policies and the gradual openness of the Jordanian economy, the situation deteriorated substantially. Nonetheless, due to the continuation of the spread of the COVID-19, the Jordanian government was able to find a suitable balance in order to maintain the Jordanian economic activity and the health of the Jordanian citizens. The Jordanian government had continued to demonstrate its ability in controlling the spread of the COVID-19 and the preservation of the health of the Jordanian economy. Due to the mutation of the virus, it is apparent that a push towards a digital economy would be one of the solutions in order to safeguard the wellbeing of the Jordanian citizens. This will contribute positively to the push of the Jordanian economy towards a competitive economy.

The effect of these policies on the 4<sup>th</sup> pillar includes an expected reduction in the inflation rate. As the Jordanian economy was partially shut down as the lockdown was in place, the unemployment increased and people's purchasing power had decreased. From the Phillips curve, we know that there is an inverse relationship between inflation and unemployment. Thus, the rise in unemployment will result in a decrease in the inflation rate. The Arab countries had suffered from a rising unemployment and inflation rates (Samarah, 2017). Thus, a decrease in the inflation rate is considered a positive indicator for Jordan.

The CBJ response of lowering both the RRR and interest rate is an attempt to stimulate an increase in borrowing for investment and increase money supply in order to stimulate spending. The restriction of movement had decreased the demand on gas, i.e., lowering the imports of oil. The decreasing demand for oil during the period from March to June of 2020 is expected to have made some minor positive effects on debt dynamics. Thus, aiding in the debt dynamics of the Jordanian economy.

## 5. CONCLUSION

We conclude that the policies implemented to stop the spread of COVID-19 by the Jordanian government had contributed positively or prevented the deterioration – maintained their current status – to some of the pillars of the Global Competitive Index, i.e., prevented the diversion of

the path of the Jordanian economy in its convergence towards a competitive economy. This was achieved through the increase in the use of online transactions, the maintained life expectancy at its current status, the expected reduction in inflation, and the decrease for the demand for oil. Online transactions had increased as people were prevented to move around and in the time of quarantine which extended from March till June. This had also paved the way for the Jordanian economy to move closer to a digital economy.

In addition, the continuation of the closure of the airport had a positive impact on domestic tourism. As the period of the quarantine was over – given the continuation of the closure of the airport – Jordanians were forced to explore their own country's tourist sites. This had resulted in some compensation for the tourist industry in return for the loss of foreign tourists (Bitar, 2020). So, the 3<sup>rd</sup>, 4<sup>th</sup>, and 5<sup>th</sup> pillars of the 12 pillars of the Global Competitiveness Index were affected in a positive manner. The Jordanian government's actions had demonstrated that Jordan's leadership did place the safety of its citizens over the economy, i.e., Jordan was one of the nations that considered health of its citizens as a higher priority when compared to economic benefits.

## LIST OF ABBREVIATIONS

CBJ	Central Bank of Jordan
COVID-19	coronavirus
GCI	Global Competitive Index
GDP	Growth Domestic Product
ICT	Information and Communication Technology
JD	Jordanian Dinar
NAF	National Aid Fund
PM	Prime Minister
RRR	Required Reserve Ratio
SMEs	Medium Sized Enterprises
SSC	Social Security Corporation
USD	United States Dollar

## REFERENCES

- Abu-Mater, W., Alsufy, F., & Afifa, M. A. (2020). The Effect of Coronavirus (COVID-19) on the Jordanian Economy: A Comprehensive Analysis of the Economy and How to Return Growth Rapidly. *Journal of Accounting, Finance & Management Strategy*, 15(2), 1-30.
- Alqutob, R., Al Nsour, M., Tarawneh, M. R., Ajlouni, M., Khader, Y., Aqel, I., ... & Obeidat, N. (2020). COVID-19 crisis in Jordan: Response, scenarios, strategies, and recommendations. *JMIR public health and surveillance*, 6(3), e19332.
- Al-Tammemi, A. A. B. (2020). The battle against COVID-19 in Jordan: an early overview of the Jordanian experience. *Frontiers in Public Health*, 8, 188.

- Alesina, A., Spolaore, E., & Wacziarg, R. (2005). Trade Growth and the Size of Countries in P Aghion S Durlauf (Eds). *Handbook of Economic Growth* , 1499-1542
- Bitar, H. S. (2020, 7 27). Partner of Kempinski Hotel Chain in Jordan and Partner in AJIB Real Estate Investment. (W. A. Samarah, Interviewer).
- Guo, S., Ding, W., & Lanshina, T. (2017). Digital Economy for Sustainable Economic Growth. *International Organization Research Journal* , 12 (4), 169-184.
- Kebede, T. A., Stave, S. E., Kattaa, M., & Prokoo, M. (2020, 6 25). Impact of the COVID-19 on Enterprises in Jordan. Amman, Jordan: International Labor Organization.
- Media Arabia. (2020). Independent عربية. Retrieved 7 27, 2020, from Independent عربية. <https://www.independentarabia.com/node/103161/> اقتصاد/الاقتصاد-العربي/كورونا-والاقتصاد-الأردني-قطاعات-تركذ-وأخرى-تنتعش
- Mehdi, A., Gheraia, Z., Abdelli, H., Sekrafi, H., & Diaw, A. (2022). COVID-19 pandemic and Economic Impacts in Arab countries: Challenges and Policies. *Research in Globalization*, 100103.
- Melitz, M. (2003). The Impact of trade on Intra-Industry Reallocations and Aggregate Industry productivity. *Econometrica* , 71 (6), 1695-1725.
- Samara, S. (2020, 7 28). Oxford and Cambridge Alumni coordinator in Jordan & Independent Researcher in Anthropology. (W. A. Samarah, Interviewer).
- Samarah, W. A. (2017). The Palestinian Economy and the Arab Spring. *Middle East Review of Public Administration* , 3 (2), 1-9.
- Samarah, W. A. & Rahman, A. (2020). COVID-19, Sustainable Development and West Bank Economy. *Journal of Applied Professional Studies*, 1 (2), 1-15.
- Schwab, k. (2019). The Global Competitiveness Report. World Economic Forum.
- Singh, M., (2020). Jordan after COVID-19: From crisis adjustment to crisis management. Working Paper, Fikra Forum. Available at <https://www.washingtoninstitute.org/>. 28 August, 2020.
- World Bank. (2021). Jordan's Economic Update — April 2021. Washington DC: World Bank.