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U.S.-Jordan Free Trade Agreement

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U.S.-Jordan Free Trade Agreement

Summary

On June 6, 2000, President Bill Clinton and King 'Abdullah II announced that the United States and Jordan would commence negotiations for a bilateral free trade agreement (FTA). The two sides signed the FTA on October 24, 2000, and President Clinton submitted the FTA to Congress on January 6, 2001.

In the past, Congress has shown an interest in developing free trade relations between the United States and select Middle East countries. In 1985, Congress approved the U.S.-Israel FTA and amended it in 1996 to include the West Bank and Gaza Strip as well as qualifying industrial zones (QIZs) between Israel and Jordan, and Israel and Egypt. Since 1994, when Jordan and Israel signed a peace treaty, Congress and the Clinton Administration have also undertaken several initiatives designed to assist the Jordanian economy. These initiatives included increased levels of foreign assistance, debt forgiveness, and the QIZ program.

Like some Members of Congress, the Clinton Administration showed enthusiasm for the U.S.-Jordan FTA. An economic impact study and an environmental review of the FTA were prepared both before and during recent negotiations. Jordan is also conducting an environmental review of the agreement. Most U.S. private sector companies and associations that filed public comments on the FTA expressed either qualified or unqualified support for a U.S.-Jordan FTA.

In addition to covering traditional reductions in barriers to trade in goods and services, the FTA also deals with other issues that became part of the U.S. trade policy agenda during the Clinton Administration such as intellectual property rights (IPRs), e-commerce, and labor and environmental standards. The inclusion of labor and environmental standards within the text of the FTA has provoked disagreement between those with differing visions of what should be included in future U.S. FTAs.

The volume of bilateral trade between the United States and Jordan throughout the 1990s was consistently modest. Many top Jordanian exports to the United States already enter the United States duty-free through various programs, and cereals—the top U.S. export to Jordan—already face low or zero-level tariff rates. Therefore, a free trade agreement is unlikely to have an immediate and dramatic impact on the volume of bilateral trade. However, Jordanian exports of textiles and apparel to the United States, as well as U.S. exports to Jordan of various commodities that face high Jordanian tariffs, could expand under an FTA.

In addition to a modest increase in the bilateral trade of goods, a U.S.-Jordan FTA could have several economic and political implications. These include the possibility of increased levels of trade in services, greater foreign direct investment (FDI) to Jordan both from U.S. and foreign-based companies, and reinforced momentum for further economic reform in Jordan. If approved by Congress and the Jordanian parliament, the U.S.-Jordan FTA will also mark the first U.S. free trade agreement with an independent Arab country, thereby reflecting the strength of U.S.-Jordanian bilateral relations and the importance that the United States attaches to these relations.

Contents

| | |
|---|----|
| Introduction | 1 |
| Congressional Interest | 2 |
| Congressional Interest in Free Trade in the Middle East | 2 |
| Congressional Interest in the Jordanian Economy | 3 |
| U.S.-Jordan FTA | 5 |
| Reactions to the Proposed Free Trade Agreement | 6 |
| U.S. Administration | 6 |
| U.S. Private Sector | 8 |
| Jordanian Public and Private Sectors | 9 |
| Selected Provisions of the U.S.-Jordan FTA | 10 |
| Trade in Goods and Services | 10 |
| Intellectual Property Rights (IPRs) | 11 |
| Environment | 11 |
| Labor | 11 |
| Electronic Commerce | 12 |
| Safeguard Measures | 12 |
| Joint Committee | 12 |
| Dispute Settlement | 12 |
| Potential Effects of the U.S.-Jordan FTA | 13 |
| Trade in Goods | 13 |
| Foreign Direct Investment (FDI) in Jordan | 18 |
| Economic Reform in Jordan | 20 |
| Political Implications | 20 |

List of Tables

| | |
|--|----|
| Table 1. U.S. Foreign Assistance to Jordan, FY1993 to FY2001 | 4 |
| Table 2. U.S.-Jordanian Bilateral Trade and Trade Balance, 1992-1999 | 13 |
| Table 3. Top 10 U.S. Domestic Exports to Jordan, 1999 | 15 |
| Table 4. Top 5 U.S. Imports for Consumption from Jordan, 1999 | 17 |
| Table 5. U.S. Foreign Direct Investment in Jordan, 1994-1999 | 19 |
| Appendix A. Public Comments Received by USTR on U.S.-Jordan FTA | 21 |
| Appendix B. Public Comments Received by USTR on Environmental Impact of U.S.-Jordan FTA | 24 |

U.S.-Jordan Free Trade Agreement

Introduction

On June 6, 2000, President Bill Clinton and King ‘Abdullah II announced that the United States and Jordan would commence negotiations for a bilateral free trade agreement (FTA),¹ eventually leading to reciprocal duty-free trade in goods. The United States and Jordan conducted three main rounds of negotiations before signing the FTA on October 24, 2000. The first round took place in Washington during the week of June 26, 2000 and was headed by United States Trade Representative (USTR) Charlene Barshefsky and Jordanian Deputy Prime Minister and Minister of State for Economic Affairs Dr. Muhammad al-Halayqah. The second and third rounds were held in Amman, Jordan during the week of August 1, 2000, and in Washington during the week of September 11, 2000, respectively. During the October 2000 summit meeting at Sharm al-Sheikh, Egypt, King ‘Abdullah reportedly expressed to President Clinton his desire to conclude the negotiations as rapidly as possible.² Soon after, the two negotiating teams completed their talks and the FTA was signed on October 24, 2000.³

According to the agreement, the FTA’s entry into force is “subject to the completion of necessary domestic legal procedures by each Party,” and the Clinton Administration submitted the agreement to Congress on January 6, 2001. According to Dr. Muhammad al-Halayqah, who headed the Jordanian delegation that negotiated the FTA, the agreement will be submitted to the Jordanian parliament during its next regular session; he has indicated that he hopes that the Jordanian parliament will be able to complete the enabling legislation by February 2001.⁴ The agreement will enter into force two months after the Parties exchange written notification that the necessary domestic legal procedures have been completed.

¹Steve Holland, “Clinton, with Jordan’s King, Sees Progress on Peace,” *Reuters*, June 6, 2000.

²Jonathan Peterson, “U.S.-Jordan Trade Deal Is Likely Today,” *Los Angeles Times*, October 24, 2000.

³For the texts of President Clinton’s and King ‘Abdullah’s remarks at the signing ceremony, see “FTA Good for the U.S., Good for Jordan, Good for Long-Term Prospects of Peace—Clinton,” and “Jordanians Embrace New Challenge of Progress and Fulfillment,” *Jordan Times*, October 26, 2000.

⁴“Jordan and America Sign a Free Trade Agreement. The King: We Chose the Path of Partnership to Build a Better Future. al-Halayqah: The Agreement Is a Powerful Indicator Confirming Jordanian Economic Measures,” *ad-Dustour* (Amman), October 26, 2000.

Congressional Interest

Congressional Interest in Free Trade in the Middle East

If the FTA wins U.S. congressional and Jordanian parliamentary approval, Jordan will become only the fourth country in the world to have a bilateral free trade agreement with the United States. Prior to the Jordanian negotiations, the United States concluded FTA's with Canada and Mexico, forming the North American Free Trade Area (NAFTA), and with Israel.

In 1985, Congress strongly supported the U.S.-Israel FTA negotiated by the Reagan Administration. Congress began its approval process of the FTA on April 29, 1985 when the United States-Israel Free Trade Area Implementation Act (H.R. 2268) was introduced in the House. The House passed the bill unanimously on May 7, 1985 and the Senate passed it without amendment on May 23, 1985. President Reagan signed the bill into law (P.L. 99-47) on June 11, 1985. U.S.-Israeli bilateral trade has increased substantially since the conclusion of the FTA. When the agreement was signed in 1985, total U.S.-Israeli bilateral trade amounted to \$4.7 billion. Since then, the volume of bilateral trade has increased steadily, reaching more than \$17.5 billion in 1999, representing nearly a four-fold increase in total bilateral trade.⁵

In 1996, Congress amended the United States-Israel Free Trade Area Implementation Act through the GSP Renewal Act of 1996 (P.L. 104-234).⁶ This legislation expanded the geographic scope of the U.S.-Israel FTA in two important ways. First, it extended the FTA to cover goods produced or manufactured in the West Bank and Gaza Strip. By providing Palestinian exporters with duty-free access to the U.S. market, Congress hoped that such a 'peace dividend' would strengthen the Palestinian economy and thereby reinforce support for the peace process. The extension of the U.S.-Israel FTA to the West Bank and Gaza Strip has had a modest impact on direct Palestinian exports to the United States. In 1995, there were no such exports, but by 1999, the United States directly imported \$3.5 million of Palestinian goods.⁷ These figures might understate the actual amount of Palestinian exports to the United States in recent years because of Israel's continuing role in heavily intermediating Palestinian trade with the rest of the world. In other words, some Palestinian goods may be exported indirectly to the United States via Israel, and therefore appear in U.S.-Israeli bilateral trade statistics.

Second, P.L. 104-234 also granted the President additional proclamation authority to extend the U.S.-Israel FTA to cover products from qualifying industrial zones (QIZs) between Israel and Jordan, and Israel and Egypt. QIZs are designed to

⁵"U.S. Trade Balance with Israel," United States Census Bureau, Department of Commerce.

⁶This bill was introduced in the House on March 13, 1996, as H.R. 3074. The House passed H.R. 3074 by voice vote on April 16, 1996, and the Senate passed it without amendment by unanimous consent on September 27, 1996. President Clinton signed the bill into law (P.L. 104-234) on October 2, 1996.

⁷"U.S. Trade Balance with Gaza Strip Administered by Israel," and "U.S. Trade Balance with West Bank Administered by Israel," U.S. Census Bureau, Department of Commerce.

further Arab-Israeli economic cooperation by providing goods produced with certain levels of Israeli, Jordanian, Egyptian, or Palestinian content duty-free access to the U.S. market. (For further details on Jordanian-Israeli QIZs, see the following section on *Congressional Interest in the Jordanian Economy*.) Egypt has yet to express interest in participating in the QIZ program, probably because it entails a level of Arab-Israeli economic cooperation that Egypt would prefer to engage in only after the conclusion of a comprehensive regional peace.

Although Egypt, for the time being, has decided not to participate in the QIZ program, some analysts have suggested Egypt as a potential candidate to be the United States' next free trade partner after Jordan.⁸ Some Members of Congress have expressed interest in this idea as well. On August 4, 2000, 26 Senators sent President Clinton a letter urging him to negotiate an FTA with Egypt that would form the basis for a Middle East Free Trade Region that would include Israel, the West Bank and Gaza Strip, Jordan, and Egypt.⁹ While the conclusion of FTAs with Jordan and Egypt could form the basis for a wider Middle East free trade region with the United States, negotiations for such an intra-regional zone would probably be politically unfeasible until a comprehensive regional peace is achieved.

Congressional Interest in the Jordanian Economy

In the early 1990s, before Jordan and Israel achieved substantive progress on their bilateral track of the peace process, Congress did not undertake any large-scale initiatives to assist the Jordanian economy. U.S. foreign assistance to Jordan was limited, largely due to U.S. concern over Jordan's refusal to join the U.S.-led coalition against Iraq during the 1990-1991 Gulf War. However, since Jordan and Israel signed the Washington Declaration, which terminated the state of belligerency between Jordan and Israel, on July 25, 1994, and a peace treaty on October 26, 1994,¹⁰ Congress and the Administration have taken a number of initiatives intended to benefit the Jordanian economy. These steps have included increasing the level of bilateral economic and military assistance provided to Jordan, forgiving Jordan's debt to the United States, and establishing qualifying industrial zones (QIZs) in Jordan and Israel. The primary Congressional motivation behind attempting to improve the Jordanian economy has been to provide Jordan with a 'peace dividend'—an economic reward designed to demonstrate the benefits of peace to a Jordanian population that has sometimes criticized and protested its government's pace and depth of normalization of relations with Israel.

In recent years, one of the most visible aspects of Congressional interest in the Jordanian economy has been in the realms of foreign assistance and debt forgiveness. In the wake of the Washington Declaration, President Clinton promised King Hussein

⁸For an analysis of a possible United States-Egypt Free Trade Agreement, see Ahmed Galal and Robert Z. Lawrence, *Building Bridges: An Egypt-U.S. Free Trade Agreement*, Brookings Institution Press, Washington, D.C., 1998.

⁹"U.S. Senators Seek Free-Trade Pact with Egypt," *Reuters*, August 4, 2000.

¹⁰For the text of these two agreements, see the web site of Israel's Foreign Ministry, at [<http://www.israel-mfa.gov.il>].

that he would work towards forgiving Jordan's debt to the United States. Congress responded with subsidy appropriations mainly in FY1994 and FY1995 that forgave the equivalent of roughly \$700 million of Jordanian debt to the United States. Beginning in FY1996, Congress agreed to increase first military and then economic assistance to Jordan. In FY1999 and FY2000, at the request of the Administration, Congress also earmarked \$300 million for Jordan in its supplemental appropriations for funding the 1998 Israeli-Palestinian Wye River Memorandum. Congress provided Jordan with Wye River funds in gratitude for King Hussein's prominent role in mediating the agreement and to help Jordan withstand internal and regional opposition to its supportive role. **Table 1** provides a summary of U.S. assistance and debt forgiveness to Jordan since FY1993. (For further details on U.S. assistance to Jordan, see CRS Issue Brief IB93085, *Jordan: U.S. Relations and Bilateral Issues*, by Alfred B. Prados, updated regularly.)

Table 1. U.S. Foreign Assistance to Jordan, FY1993 to FY2001
(All figures in Millions of U.S. Dollars)

| FY | Economic ^a | Military ^b | Sub-Total | Debt Forgiveness ^c | Total |
|-------------------|-----------------------|-----------------------|-----------|-------------------------------|---------|
| 1993 | 35.0 | 9.5 | 44.5 | – | 44.5 |
| 1994 | 28.0 | 9.8 | 37.8 | 99.0 | 136.8 |
| 1995 | 28.9 | 8.3 | 37.2 | 275.0 | 312.2 |
| 1996 | 36.1 | 201.5 | 237.6 | – | 237.6 |
| 1997 | 120.4 | 32.1 | 152.5 | 15.0 | 167.5 |
| 1998 | 151.2 | 77.1 | 228.3 | 12.0 | 240.3 |
| 1999 ^d | 201.5 | 123.5 | 325.0 | – | 325.0 |
| 2000 ^d | 200.0 | 226.6 | 426.6 | – | 426.6 |
| 2001 (Proposed) | 150.0 | 76.7 | 226.7 | – | 226.7 |
| Total | 951.1 | 765.1 | 1,716.2 | 401.0 | 2,117.2 |

- a. Economic assistance includes Economic Support Funds (ESF), Development Assistance, Food Assistance, and Peace Corps.
- b. Military assistance includes Foreign Military Financing (FMF), Drawdowns of Military Equipment, International Military Education and Training (IMET), and De-Mining Operations.
- c. Debt forgiveness amounts represent subsidy appropriations, which under the scoring procedures employed forgave \$702.3 million of Jordanian debt to the United States.
- d. Figures for FY1999 and FY2000 include additional appropriations that Jordan has received or will receive for its role in helping to mediate the Israeli-Palestinian Wye River Memorandum. Some FY2000 Wye River appropriations might not be obligated until FY2001 or FY2002.

Apart from foreign assistance and debt forgiveness, Congress has also promoted joint Jordanian-Israeli economic ventures through the Qualifying Industrial Zones (QIZ) program. In 1996, Congress adopted this program as an amendment to the United States-Israel Free Trade Area Implementation Act of 1985 (H.R. 3074) and President Clinton signed the bill into law (P.L. 104-234) in October 1996. Under this legislation, products with a certified minimum content of Jordanian and Israeli inputs that are manufactured in specially designated qualifying industrial zones are eligible for unilateral duty-free access to the U.S. market. To date, the United States Trade Representative (USTR) has designated ten QIZs in Jordan, which have had a modestly successful effect in spurring Jordanian-Israeli business partnerships, promoting job creation in Jordan, and encouraging foreign direct investment (FDI) in Jordan. (For further details, see CRS Report RS20529, *United States-Israel Free Trade Area: Jordanian-Israeli Qualifying Industrial Zones*, by Joshua Ruebner, updated January 9, 2001.)

U.S.-Jordan FTA

Some Members of Congress began to consider the idea of negotiating a U.S.-Jordan FTA more than six years ago in the immediate aftermath of the signing of the July 1994 Washington Declaration. Then House Majority Leader Richard Gephardt sent President Clinton a letter urging him to expand the U.S.-Israel FTA to include countries that sign “comprehensive peace agreements with Israel.” The letter was co-signed by an additional 42 Representatives.¹¹ However, both in Congress and in the Administration, the idea of establishing a U.S.-Jordan FTA lay dormant for the most part, until King ‘Abdullah II ascended the Jordanian throne upon the death of his father, King Hussein, in February 1999, and made the U.S.-Jordan FTA one of his top priorities.

The high priority that King ‘Abdullah has attached to economic reform in general, and to the U.S.-Jordan FTA in particular, helped to rekindle Congressional interest in this issue. Toward this end, between March and May 2000, over 45 Members of Congress sent President Clinton letters¹² urging him to enter into negotiations for an FTA with Jordan as soon as possible. In these letters, Members provided several interrelated rationales for supporting a U.S.-Jordan FTA: 1) it would strengthen bilateral relations and express the United States’ appreciation for Jordan’s role in furthering the Middle East peace process and actively cooperating in international counter-terrorism activities; 2) it would promote economic growth in Jordan and regional economic cooperation, thereby enhancing stability and security in Jordan and the Middle East; and 3) it would assist in further promoting economic reform and liberalization in Jordan.

About a month after formal U.S.-Jordanian negotiations on the FTA began, on July 17, 2000, a bipartisan group of 41 Senators sent President Clinton a letter urging the Administration to “promptly conclude negotiations” so that the Senate could

¹¹For the text of the letter, see “House Letter on Middle East Trade,” *Inside U.S. Trade*, July 29, 1994, pp. 30-31.

¹²Statement by Stuart E. Eizenstat, “A New Era of Economic Cooperation,” Amman, Jordan, June 26, 2000, United States Information Service.

consider and pass the FTA during the 106th Congress.¹³ Eighteen Democratic Members of Congress wrote a letter to President Clinton on October 24, 2000, expressing their “congratulations and strong support” for the U.S.-Jordan FTA and pledging “to work hard to pass the implementing bill for this free trade agreement in the 107th Congress.”¹⁴

Reactions to the Proposed Free Trade Agreement

U.S. Administration

Prior to the signing of the agreement, the Clinton Administration expressed its support for a U.S.-Jordan free trade agreement (FTA) in terms similar to those employed by Members of Congress who urged the President to undertake this initiative. The Clinton Administration viewed the FTA as a potential catalyst to sustained economic growth in Jordan, providing its people with a long-awaited ‘peace dividend,’ which in turn would reinforce support for the peace process. United States Trade Representative (USTR) Charlene Barshefsky recently articulated the link between economic growth and regional peace, stating that the FTA “can be a step toward the creation of a future Middle East which is peaceful, prosperous, and open to the world; whose nations work together for the common good; and whose people have hope and opportunity.”¹⁵

As noted above, President Clinton and King ‘Abdullah agreed to commence negotiations on an FTA on June 6, 2000. Shortly thereafter, on June 15, the United States Trade Representative (USTR) gave official notice of the United States’ intent to conclude an FTA with Jordan.¹⁶ The USTR also requested the United States International Trade Commission (USITC) to study the economic impact of a U.S.-Jordan FTA on the U.S. economy. Consequently, USITC initiated investigation No. 332-418, entitled “Economic Impact on the United States of a U.S.-Jordan Free Trade Agreement.”¹⁷ The economic impact study was completed and submitted to the USTR on July 31, 2000, and was declassified and released to the public on September 26, 2000.¹⁸

¹³For the text of the letter, see “Senators Letter on Jordan FTA,” *Inside U.S. Trade*, August 18, 2000, p. 20.

¹⁴For the text of this letter, see “Democrats Letter on Jordan FTA,” *Inside U.S. Trade*, October 27, 2000, p. 12.

¹⁵ Ambassador Charlene Barshefsky, U.S. Trade Representative, “Bridges to Peace: The U.S.-Jordan Free Trade Agreement and American Trade Policy in the Middle East,” Jordanian-American Business Association, Amman, Jordan, July 31, 2000, United States Information Service.

¹⁶*Federal Register*, June 15, 2000, v. 65 n. 116, pp. 37594-37595.

¹⁷*Federal Register*, June 26, 2000, v. 65 n. 123, pp. 39426-39427.

¹⁸For a summary of the investigation, see “A U.S.-Jordan Free Trade Agreement Would Have No Measurable Impact on U.S. Production or U.S. Employment, Says ITC,” News Release

In this investigation, the USITC concluded that a U.S.-Jordan FTA “would have no measurable impacts on total U.S. exports, total U.S. imports, U.S. production, or U.S. employment.” USITC arrived at this conclusion after conducting 16 qualitative industry sector analyses of U.S. exports to and imports from Jordan. By running partial equilibrium analyses, in which tariffs levels were hypothetically reduced to zero and all other factors influencing levels of trade flows were held constant, USITC concluded that had zero-level tariffs been in place in 1998, U.S. exports to Jordan would have increased in three sectors. Under this model, U.S. exports of cereals (other than wheat) would have increased by 14% (or \$2.9 million); U.S. exports of electrical machinery would have increased by 104% (or \$22 million); and U.S. exports of machinery and transportation equipment would have increased by 39% (or \$48 million). USITC also predicted that the FTA “will likely lead to an increase in U.S. imports of textiles and apparel from Jordan.” However, USITC did not run a partial equilibrium analysis for this Jordanian export sector, and therefore, was unable to quantify the potential increase. Though USITC concluded that the overall impact of the FTA on the U.S. economy will be negligible, it did infer that the FTA could occasion a modest increase in bilateral trade.

The Office of the USTR, through the Trade Policy Staff Committee (TPSC), is also conducting an environmental impact study of the U.S.-Jordan FTA. This environmental review responds to a new U.S. commitment to “factor environmental considerations into the development of its trade negotiating objectives,” embodied in Executive Order 13141, issued by President Clinton on November 16, 1999.¹⁹ Some view this Executive Order as the Administration’s response to criticisms of the environmental effects of United States trade policy expressed before and during the November 1999 Seattle Round of the World Trade Organization (WTO) talks. (Coincidentally, violent confrontations between the police and protesters in Seattle curtailed the agenda of the WTO talks, forcing Jordan’s accession to the WTO to be deferred until April 2000.²⁰) Many individuals and groups concerned with trade and environmental issues watched the U.S.-Jordanian negotiations with great interest since their results could serve as a model for future U.S. trade negotiating strategy on environmental issues.

In September 2000, the USTR released a draft environmental review of the proposed U.S.-Jordan FTA.²¹ In this draft review, the USTR stated that “the U.S.

¹⁸(...continued)

00-112, September 26, 2000, United States International Trade Commission (USITC). The complete text of the investigation is available at the web site of USITC, at [<http://www.usitc.gov/>].

¹⁹*Federal Register*, November 18, 1999, v. 64, n. 222, pp. 63167-63170.

²⁰William A. Orme, Jr., “Jordan’s Long Road to the Free-Trade Club,” *New York Times*, May 21, 2000.

²¹For the text of the draft, see “Draft Environmental Review of the Proposed Agreement on the Establishment of a Free Trade Area Between the Government of the United States and the Government of the Hashemite Kingdom of Jordan,” Office of the United States Trade Representative, September 2000, at

Government (USG) expects that the FTA with Jordan will not have any significant environmental effects in the United States. While it is conceivable that there may be instances in which environmental effects are concentrated regionally or sectorally in the United States, the USG could not identify any such instances.”

U.S. Private Sector

When the Office of the USTR gave official notice of the United States’ intention to enter into free trade negotiations with Jordan, it also solicited comments from private sector corporations and associations on the objectives to be pursued during these negotiations.²² In total, twenty corporations and associations filed public comments with the USTR—seventeen of which concerned the economic components of the FTA and three of which dealt with the environmental aspects of the agreement.²³ (For a brief overview of the positions taken by these corporations and associations, see Appendices A and B.)

In general, those private sector corporations and associations that responded to the USTR’s call for public comments on the FTA expressed their support for the idea. Manufacturers, importers, and marketers of textile and apparel products accounted for the plurality of public comments received by the USTR (six of seventeen public comments filed on the economic aspects of the FTA primarily dealt with textiles and apparel, while another one secondarily dealt with these sectors as well). The interest that U.S. textile and apparel companies have shown in the U.S.-Jordan FTA is unsurprising since these sectors could prove to be the largest potential area of growth for Jordanian exports to the United States under an FTA.

Some of these textile manufacturers, such as BCTC Corporation and certain members of the American Apparel Manufacturing Association (AAMA), have recently invested in Jordan’s qualifying industrial zones (QIZs) and therefore have an interest in expanding Jordanian textile and apparel access to the U.S. market. Those supportive of greater Jordanian textile and apparel access to the U.S. market have tended to urge the USTR to adopt the U.S.-Israel FTA ‘rules-of-origin’ in the U.S.-Jordan FTA. The ‘rules-of-origin’ clauses in the U.S.-Israel FTA allow Israeli exports to qualify for duty-free access to the United States if Israel added at least 35% (of which up to 15% can be from the United States) to the value of the product.

Those who fear that greater Jordanian textile and apparel access to the U.S. market could harm textile and apparel manufacturers and workers within the United States, such as the American Textile Manufactures Institute (ATMI), have urged the USTR to apply North American Free Trade Agreement (NAFTA) ‘rules-of-origin’ standards to the U.S.-Jordan FTA. NAFTA ‘rules-of-origin,’ including those for

²¹(...continued)

[<http://www.ustr.gov/environment/draftjordanreview.html>].

²²“USTR Seeks Public Comment on U.S.-Jordan Free Trade Agreement,” USTR Press Release, June 15, 2000.

²³These public comments are maintained in a file in the USTR Reading Room and are available for public inspection by appointment.

textile and apparel, are stricter than those in the U.S.-Israel FTA, and if applied to the U.S.-Jordan FTA would probably result in a smaller growth potential for Jordanian exports of textiles and apparel to the United States. (For further details on NAFTA 'rules-of-origin,' see CRS Info Pack IP445N, *NAFTA: The North American Free Trade Area*, updated as needed.)

Another topic that elicited multiple responses is the issue of protecting intellectual property rights (IPRs). In particular, pharmaceutical and motion-picture interests urged the USTR to ensure that the FTA addresses Jordan's implementation of all WTO and Trade- Related Aspects of Intellectual Property Rights (also known as "TRIPS") commitments. Other respondents who filed public comments either export to Jordan or import from Jordan particular commodities and urged the USTR to negotiate immediate zero-level tariffs for these commodities in the FTA.

As noted above, USTR also received three public comments specifically relating to the environmental aspects of the U.S.-Jordan FTA. Two of these comments, filed by the World Resources Institute and the American Lands Alliance, expressed support for conducting an environmental impact study and incorporating environmental standards within the proposed FTA. The American Federation of Labor and Congress of Industrial Organizations (AFL-CIO), in its public comment on the economic aspects of the FTA, also supported the introduction of core environmental standards in the FTA. However, the United States Council for International Business has opposed the introduction of environmental standards within the framework of the FTA and argues instead for bilateral environmental agreements to be concluded outside the framework of the FTA.

At the same time that it called for public comments on the FTA, the USTR also announced that it would be negotiating labor standards within the text of the proposed FTA. As a result, three organizations filed comments with the USTR that dealt with the advisability of including labor standards within an FTA. Women's Edge and the AFL-CIO both supported the idea of including core international labor standards within the text of the agreement. The United States Council for International Business countered that the purview of an FTA should not include international labor standards.

Jordanian Public and Private Sectors

Like the USTR, the Jordanian government has also called for the Jordanian private sector to file comments on the environmental aspects of the U.S.-Jordan FTA.²⁴ The Jordanian delegation negotiating the FTA, led by Deputy Prime Minister and Minister of State for Economic Affairs Dr. Muhammad al-Halayqah, will incorporate these public comments into a separate Jordanian environmental review of the FTA. It appears that the Jordanian environmental review of the FTA will also double as an economic impact study, since it will "summarize the likely economic outcomes of an FTA on Jordan." At this point, it remains unclear how Jordan will classify the environmental review or if it will be released to the public. Jordan has

²⁴"Notice of Opportunity to Comment on the Environmental Considerations of the Proposed Jordan-U.S. Free Trade Agreement," *Jordan Times*, July 10, 2000.

active environmental non-governmental organizations (NGOs) that are likely to welcome the opportunity to comment on the U.S.-Jordan FTA. For example, in the past, Jordanian environmental NGOs have raised concerns about and influenced the planning and building of the Jordan Gateways Project QIZ.

In general, the Jordanian private sector responded enthusiastically to the idea of the U.S.-Jordan FTA. For instance, the Jordanian American Business Association (JABA) surveyed prominent business leaders from both private and public sector organizations and found that “overall sentiment ran strongly in favor of increased economic ties between Jordan and the United States. Many expressed an expectation especially that foreign direct investment into Jordan will increase and that the FTA will help expand this into multiple sectors, from textiles to technology and from financial services to tourism.”²⁵ However, JABA also noted that some of those surveyed worried that an FTA could lead to an expanded level of U.S. imports that could have a detrimental impact on Jordan’s manufacturing sector. Some also expressed concern that Jordan’s reorientation of its trade relations toward the United States (and toward Europe with the signing of an EU-Jordanian partnership agreement) could come at the expense of its trade relations with neighboring countries. In the immediate aftermath of the signing of the FTA, several prominent Jordanian private sector personalities, including the President of the Union of Jordanian Chambers of Commerce, the Vice President of the Amman Chamber of Commerce, and the Chairman of the Administrative Council of the Amman Chamber of Industry, welcomed and endorsed the FTA.²⁶

Selected Provisions of the U.S.-Jordan FTA

As noted above, the U.S.-Jordan FTA was signed on October 24, 2000. This section highlights selected provisions of the FTA and is based on the text, annexes, schedules, and related understandings of the agreement as published by the USTR.²⁷ This section does not offer a legal interpretation of the rights and obligations that the FTA entails. Those who are interested in further details on specific provisions of the agreement are urged to consult the full-text of the agreement, which is accessible via the hyperlink provided in the footnote below. The subsequent section discusses some of the potential economic and political effects of the FTA.

Trade in Goods and Services. The FTA provides for a 10-year transitional period during which duties on almost all goods will be phased-out, leading to duty-free trade in goods between the United States and Jordan. The duties on many goods

²⁵“The Proposed Free Trade Agreement between the United States of America and the Hashemite Kingdom of Jordan: Expected Impact and Benefits,” Jordanian American Business Association (JABA), no date.

²⁶“A Rapid Move of Economic Activity and a Strengthening of the Investment Climate. Economic Circles Welcome the Free Trade Agreement with America,” *ad-Dustour* (Amman), October 26, 2000.

²⁷For the complete text of the FTA and accompanying documents, see the web site of the USTR, at [<http://www.ustr.gov/regions/eu-med/middleeast/US-JordanFTA.shtml>].

will be phased-out prior to the end of the 10-year transitional period. The FTA also provides for a liberalization of bilateral trade in services, stating that “each Party shall accord to services and service suppliers of the other Party, in respect of all measures affecting the supply of services, treatment no less favorable than that it accords to its own like services and service suppliers.” (Article 3.2(b)) The Parties undertook specific market-opening commitments in various service sectors, such as business, communications, construction and engineering, distribution, education, environment, finance, health, tourism, recreation, and transportation.

Intellectual Property Rights (IPRs). The FTA obligates the United States and Jordan to give effect to various articles in several World Intellectual Property Organization (WIPO) multilateral agreements. The FTA provides protections for trademarks, copyrights, and patents, and specifically mentions the protection of software and pharmaceuticals, two categories of products whose copyrights and patents are especially prone to violation. The FTA also provides for the enforcement of the IPRs that it protects: Article 4.24 states, in part, that each country “shall ensure that its statutory maximum fines are sufficiently high to deter future acts of infringement with a policy of removing the monetary incentive to the infringer.” The agreement stipulates that the protection of some of the IPRs will take effect immediately from the date of entry into force while others will take effect between six months and three years from that date. The United States and Jordan also signed a Memorandum of Understanding on Issues Related to the Protection of IPRs, specifying that Jordan will raise its criminal penalties for the infringement of IPRs to approximately \$8500 (6000 Jordanian dinars) in order to deter future infringements.

Environment. In the FTA, the United States and Jordan recognize the principle that it is “inappropriate to encourage trade by relaxing domestic environmental laws. Accordingly, each Party shall strive to ensure that it does not waive or otherwise derogate from, or offer to waive or otherwise derogate from, such laws as an encouragement for trade with the other Party.” (Article 5.1) The agreement also recognizes the right of each country to establish its own levels of domestic environmental protection, policies, and priorities. The FTA states that “a Party shall not fail to effectively enforce its environmental laws, through a sustained or recurring course of action or inaction, in a manner affecting trade between the Parties.” (Article 5.3(a)) The United States and Jordan also issued a Joint Statement on Environmental Technical Cooperation. The joint statement establishes a Joint Forum on Environmental Technical Cooperation, which will work to “advance environmental protection in Jordan by developing environmental technical cooperation initiatives, which take into account environmental priorities, and which are agreed to by the two governments, consistent with the U.S. country strategic plan for Jordan, and complementary to U.S.-Jordanian policy initiatives.” An annex to the joint statement details ongoing and future U.S.-Jordanian environmental technical cooperation programs.

Labor. Under the FTA, the United States and Jordan reaffirm their obligations as members of the International Labor Organization (ILO) and their commitments under the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-Up. Mirroring the language used in the section on environmental standards, the FTA states that “the Parties recognize that it is inappropriate to encourage trade by relaxing domestic labor laws. Accordingly, each Party shall strive to ensure that

it does not waive or otherwise derogate from, or offer to waive or otherwise derogate from, such laws as an encouragement for trade with the other Party.” (Article 6.2) The agreement also recognizes the right of each country to establish its own domestic labor standards, laws, and regulations, striving to ensure that these are consistent with international recognized labor rights. The FTA states that “a Party shall not fail to effectively enforce its labor laws, through a sustained or recurring course of action or inaction, in a manner affecting trade between the Parties.” (Article 6.4(a))

Electronic Commerce. The FTA states that the United States and Jordan will seek to refrain from deviating from the existing practice of not imposing customs duties on electronic transmissions or imposing unnecessary barriers on electronic transmissions.

Safeguard Measures. The FTA contains safeguard measures to ensure that if the implementation of the agreement leads to “a substantial cause of serious injury, or threat thereof” to a domestic industry, either country may temporarily suspend further tariffs reductions on the affected goods. If either country decides to enact a safeguard measure, its duration cannot exceed 4 years or the 10-year transitional period, and no measure shall be maintained “except to the extent and for such time as may be necessary to prevent or remedy serious injury and to facilitate adjustment.” (Article 10.2.(a)(i)) The FTA also recognizes the special challenges faced by “infant industries” during a period of trade liberalization and that therefore neither country should create obstacles to “infant industries” that seek the imposition of safeguard measures.

Joint Committee. The FTA establishes a Joint Committee whose functions include reviewing the general functioning of the agreement; improving trade relations; avoiding and settling disputes; amending the agreement; developing guidelines, explanatory material, and rules on the implementation of the agreement; and reviewing the environmental impact studies conducted by both countries. The Joint Committee will be headed by the USTR and by “Jordan’s Minister primarily responsible for international trade” and will make all decisions by consensus. The committee will consider “the views of interested members of the public in order to draw upon a broad range of perspectives in the implementation of this Agreement” and “seek the advice” of non-governmental organizations (NGOs).

Dispute Settlement. The FTA sets out a multi-step procedure for dispute settlement. First, the United States and Jordan “shall make every attempt to arrive at a mutually agreeable resolution through consultations” if a dispute arises. If the Parties do not resolve the dispute through consultations, either Party has the right to refer the dispute to the Joint Committee. If the Joint Committee does not solve the dispute within 90 days, the dispute may be referred to a specially appointed three-person dispute panel. The dispute panel is authorized to make non-binding recommendations to resolve the dispute. After the dispute panel issues its recommendations, the Joint Committee “shall endeavor to resolve the dispute, taking the report into account.” If the Joint Committee stills fails to resolve the dispute, then “the affected Party shall be entitled to take any appropriate and commensurate measure.” The United States and Jordan also signed a Memorandum of Understanding on Transparency in Dispute Settlement, obligating the Parties to “solicit and consider the views of members of their respective publics in order to draw

upon a broad range of perspectives.” According this memorandum, if a dispute panel is established, any submission made to it shall be made available publicly; oral presentations before the panel shall be open to members of the public; the panel shall “accept and consider” *amicus curiae* submissions by individuals, legal persons, and NGOs; and the panel shall release its report to the public.

Potential Effects of the U.S.-Jordan FTA

Trade in Goods

Throughout most of the 1990s, bilateral trade between the United States and Jordan has been modest. In 1999, Jordan ranked as the United States’ 101st largest trading partner in the world.²⁸ Between 1992 and 1999, yearly bilateral trade flows between the United States and Jordan have stayed fairly constant, registering a low of \$275 million in 1992 and a high of nearly \$430 million in 1997. Trade between the United States and Jordan has been predominantly uni-directional, with the United States enjoying a healthy trade surplus. In some years, U.S. exports to Jordan have dwarfed U.S. imports from Jordan by a magnitude of more than 10:1. **Table 2** provides an overview of the bilateral trade flows between the United States and Jordan between 1992 and 1999.

Table 2. U.S.-Jordanian Bilateral Trade and Trade Balance, 1992-1999

(All figures in Millions of U.S. Dollars)

| Year | U.S. Exports to Jordan | U.S. Imports from Jordan | Total Trade | U.S. Trade Balance |
|------|------------------------|--------------------------|-------------|--------------------|
| 1992 | 257.7 | 18.1 | 275.8 | 239.6 |
| 1993 | 360.5 | 18.7 | 379.2 | 341.8 |
| 1994 | 287.3 | 29.0 | 316.3 | 258.3 |
| 1995 | 335.3 | 28.8 | 364.1 | 306.5 |
| 1996 | 345.2 | 25.2 | 370.4 | 320.0 |
| 1997 | 402.5 | 25.3 | 427.8 | 377.2 |
| 1998 | 352.9 | 16.4 | 369.3 | 336.5 |
| 1999 | 275.6 | 30.9 | 306.5 | 244.7 |

Source: “U.S. Trade Balance with Jordan,” United States Census Bureau, Department of Commerce.

²⁸“U.S. Trade Balance, by Partner, 1999,” United States International Trade Commission (USITC) Trade Database.

In 1999, total bilateral trade between the United States and Jordan was roughly \$300 million. U.S. exports to Jordan accounted for approximately 90% (\$275 million) of this total. **Table 3** presents an overview of the top ten categories of commodities that Jordan imported from the United States in 1999, ranked by Harmonized Tariff Schedule (HTS) chapter. Table 3 also presents the Jordanian tariff rate, as calculated by the Jordan Customs Department, for leading commodities within each of the ranked chapters, as well as the tariff schedule for these commodities as negotiated in the FTA. In 1999, cereals (wheat, rice, and corn) were the largest U.S. export to Jordan, accounting for nearly 20% of total exports. Under the prevailing tariff rates, cereals enter Jordan either duty-free or with a low 5% tariff. These low tariff rates reflect the sensitivity of food pricing in Jordan. Food prices have tended to be a volatile domestic political issue in Jordan since the government began to lower food subsidies in the context of its structural adjustment reform program.²⁹ Therefore, the free trade agreement is likely to have only a marginal impact on the volume of U.S. cereal exports to Jordan and on cereal pricing for Jordanian consumers since tariffs on cereals are already at low levels.

However, other leading U.S. commodity exports to Jordan do face substantial tariff barriers and a free trade agreement leading to the phasing out of these tariffs could increase Jordanian demand for these products. Exports such as machinery and mechanical appliances, aircraft, and electrical machinery would likely be the primary beneficiaries of lower Jordanian tariff rates.

In 1999, U.S. imports from Jordan totaled \$31 million and accounted for approximately 10% of total bilateral trade. **Table 4** presents an overview of the top five categories of commodities that the United States imported from Jordan in 1999, ranked by Harmonized Tariff Schedule (HTS) chapter. Table 4 also presents the U.S. tariff rate for leading commodities within each of the ranked chapters, as well as the tariff schedule for these commodities as negotiated in the FTA. Of this total, nearly 60% (\$18.5 million) of Jordanian exports to the United States were classified under Chapter 98—Special Classification Provisions of the Harmonized Tariff Schedule (HTS). In the case of these Jordanian exports, the HTS defines them as “U.S. goods returned without having been advanced in value or improved in condition while abroad.” Typically these are products that Jordan had previously imported from the United States and sent back temporarily for repair, servicing, or other reasons. Trade falling under Chapter 98 of the HTS is not considered to be actual merchandise trade.

Therefore, if Chapter 98 products are excluded, U.S. imports of merchandise from Jordan totaled roughly \$12.5 million in 1999. Leading imports of merchandise included precious metals and stones, usually in the form of metal articles of jewelry, articles of apparel, antiques, and carpets.

Some of these leading Jordanian merchandise exports to the United States already enjoy preferential duty-free access to the U.S. market either under the

²⁹Jordanian central government expenditures on food subsidies have decreased from approximately \$140 million in 1996 to \$21 million in 1999. Data adapted from Central Bank of Jordan, *Monthly Statistical Bulletin*, Table 26: Economic Classification of Central Government Expenditures, July 2000.

Generalized System of Preferences (GSP) for developing nations or through the qualifying industrial zones (QIZs) program. (For further details on the Generalized System of Preferences, see CRS Report 97-389, *Generalized System of Preferences*, by William H. Cooper, November 22, 1999.) For instance, Jordan's top merchandise export to the United States in 1999, precious metal (other than silver) articles of jewelry, which accounted for approximately 25% of Jordanian merchandise exports to the United States, entered the U.S. market duty-free under the GSP. In addition, Jordan began exporting QIZ-designated products from the al-Hassan Industrial Estate in Irbid to the United States in 1999. According to data from the United States International Trade Commission (USITC), U.S. imports of QIZ-designated products amounted to \$159,000 in 1999. All of these imports were classified under Chapters 61 and 62 of the HTS which deal with apparel. As the other nine QIZs become operational and more product lines become eligible for QIZ status in upcoming years, U.S. duty-free imports of products under the QIZ are expected to increase.

Table 3. Top 10 U.S. Domestic Exports to Jordan, 1999

(All figures in millions of U.S. Dollars)

| # | Harmonized Tariff Schedule (HTS) Category | \$ | % | Jordanian Tariff Rate | FTA Tariff Schedule |
|----------|---|----------------|--------------|-----------------------|---------------------|
| | Total U.S. Domestic Exports to Jordan | \$270.0 | 100.0 | | |
| 1 | Ch. 10 Cereals | \$52.1 | 19.3 | | |
| | 100190 Wheat (other than Durum Wheat) & Meslin | \$26.8 | 9.9 | 0% | E |
| | 100630 Rice, Semi-Milled or Wholly Milled | \$14.3 | 5.3 | 5% | A |
| | 100590 Corn (Maize) | \$10.9 | 4.0 | 5% | A |
| 2 | Ch. 84 Machinery & Mechanical Appliances | \$36.5 | 13.5 | | |
| | 843139 Parts for Lifting, Handling, Loading or Unloading Machinery | \$2.1 | 0.8 | 30% | D |
| | 847149 Digital Automatic Data Processing Machines | \$1.5 | 0.6 | 10% | E |
| 3 | Ch. 88 Aircraft & Spacecraft | \$27.7 | 10.3 | | |
| | 880330 Parts of Airplanes or Helicopters | \$25.1 | 9.3 | 10% | A |
| | 880212 Helicopters | \$1.9 | 0.7 | 0% | E |
| 4 | Ch. 15 Animal or Vegetable Fats and Oils | \$22.8 | 8.4 | | |
| | 151521 Corn (Maize) Oil, Crude | \$5.1 | 1.9 | 5% | A |
| 5 | Ch. 98 Special Classification Provisions | \$15.2 | 5.6 | | |
| 6 | Ch. 90 Optical, Photographic, Cinematographic, Measuring, Checking, Precision, Medical or Surgical Instruments and Apparatus | \$14.3 | 5.3 | | |
| | 902119 Orthopedic or Fracture Appliances other than Artificial Joints | \$1.8 | 0.7 | 0% | E |

| # | Harmonized Tariff Schedule (HTS) Category | \$ | % | Jordanian Tariff Rate | FTA Tariff Schedule |
|-----------|---|---------------|------------|-----------------------|---------------------|
| | 901420 Instruments & Appliances for Aeronautical or Space Navigation other than Compasses | \$1.4 | 0.5 | 30% | D |
| 7 | Ch. 85 Electrical Machinery & Equipment | \$12.7 | 4.7 | | |
| | 853620 Automatic Circuit Breakers | \$2.3 | 0.9 | 35% | I |
| 8 | Ch. 24 Tobacco | \$11.2 | 4.2 | | |
| | 240310 Smoking Tobacco | \$9.3 | 3.4 | 70% | N/A |
| 9 | Ch. 47 Pulp of Wood; Paper & Paperboard | \$7.3 | 2.7 | | |
| | 470321 Bleached Coniferous Woodpulp | \$5.2 | 1.9 | 5% | A |
| 10 | Ch. 87 Vehicles | \$7.2 | 2.7 | | |
| | 870829 Parts & Accessories of Bodies for Motor Vehicles | \$0.4 | 0.1 | 30% | D |

Sources: United States International Trade Commission Trade Database; Jordan Customs Department.

Notes: A=duties shall be removed in two equal annual stages and be duty-free effective year two
D=duties shall be removed in ten equal annual stages and be duty-free effective year ten
E=duties shall be removed in accordance with existing WTO duty-elimination commitments
I=duties shall be removed in eight equal annual stages and be duty-free effective year eight
N/A=Non-applicable. The USTR did not negotiate the reduction of tariffs on tobacco products in order to comply with its interpretation of the “Doggett Amendment” to the Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Act, 1998 (H.R. 2267, signed into law as P.L. 105-119, November 26, 1997). The “Doggett Amendment, Sect. 618, states that “none of the funds provided by this Act shall be available to promote the sale or export of tobacco or tobacco products, or to seek the reduction or removal by any foreign country of restrictions on the marketing of tobacco or tobacco products, except for restrictions which are not applied equally to all tobacco or tobacco products of the same type.” Similar language has appeared in subsequent appropriations acts for these agencies.

Table 4. Top 5 U.S. Imports for Consumption from Jordan, 1999

(All figures in millions of U.S. Dollars)

| # | Harmonized Tariff Schedule (HTS) Category | \$ | % | U.S. Tariff Rate | FTA Tariff Schedule |
|----------|--|---------------|--------------|------------------|---------------------|
| | Total U.S. Imports for Consumption from Jordan | \$31.0 | 100.0 | | |
| 1 | Ch. 98 Special Classification Provisions | \$18.5 | 59.8 | | |
| | 98010010 U.S. Goods Returned without having been Advanced in Value or Improved in Condition while Abroad | \$18.5 | 59.8 | 0% | E |
| 2 | Ch. 71 Pearls, Precious Stones, Precious Metals | \$4.5 | 14.5 | | |
| | 71131950 Precious Metal (other than Silver) Articles of Jewelry | \$3.0 | 9.7 | 0% | G |
| 3 | Ch. 62 Articles of Apparel & Clothing Accessories, Not Knitted or Crocheted | \$1.8 | 5.9 | | |
| | 62034240 Men's or Boys' Trousers and Shorts | \$0.5 | 1.6 | 17.2% | C |
| 4 | Ch. 97 Works of Art, Collector's Pieces & Antiques | \$0.8 | 2.6 | | |
| | 97060000 Antiques of an Age Exceeding 100 Years | \$0.7 | 2.3 | 0% | E |
| 5 | Ch. 57 Carpets & Other Textile Floor Coverings | \$0.7 | 2.4 | | |
| | 57024220 Carpets & Other Textile Floor Coverings, of Pile Construction, Woven, not Tufted or Flocked | \$0.4 | 1.3 | 4% | E |

Source: United States International Trade Commission Trade Database.

Notes: C=duties shall be removed in five equal annual stages and be duty-free effective year five
 E=duties shall be removed in accordance with existing WTO duty-elimination commitments
 G=duties shall be eliminated entirely and be duty-free effective year one

Since some Jordanian exports to the United States already qualify for duty-free access under the above-mentioned programs and the regular tariff rates (in the HTS), the free trade agreement with an across-the-board zero-tariff level is unlikely to have a large impact on the volume of Jordanian exports to the United States. However, one sector that shows growth potential under a future U.S.-Jordan FTA is the textile and apparel sector. This sector occupies a significant position in Jordanian industrial production. For instance, in 1993, 1750 textile and ready-made apparel firms employed over 7500 people. Excluding mineral and petrochemical production, textiles and apparels were Jordan's second leading industrial export (roughly \$50

million) in 1994.³⁰ Since 1994, the textile and apparel sector has become an even more important part of Jordanian manufacturing since several American, Israeli, and other multi-national textile and apparel firms have relocated some of their operations to Jordan both within and outside the context of the QIZ program. However, only a few firms have qualified their products for QIZ status. Therefore, most of the Jordanian textile and apparel industry still faces fairly substantial tariffs when exporting to the United States. A general phasing-out of these tariffs within the context of an FTA would presumably increase Jordanian textile and apparel exports to the United States.

Foreign Direct Investment (FDI) in Jordan

Although a U.S.-Jordan FTA might not have a large and immediate impact on the volume of bilateral trade in goods and services, many predict that the FTA could substantially increase foreign direct investment (FDI) in Jordan, both from the United States and from the rest of the world. In the context of an FTA, multinational companies seeking greater U.S. market access could relocate some of their operations to Jordan in order to take advantage of its eventual duty-free access to the United States. In addition, U.S. companies that currently import inputs or finished products from other countries could reroute their purchases to Jordanian suppliers in order to reduce production or import costs stemming from tariffs. Already, some U.S., foreign, and multinational companies have relocated their operations to Jordan in order to benefit from the QIZ program, thereby attracting larger amounts of FDI to Jordan. A U.S.-Jordan FTA could promote a similar pattern on a country-wide scale.

In recent years, U.S. direct investment in Jordan has been limited. **Table 5** presents available data on U.S. companies' direct investment position in Jordan between 1994-1999. It also presents the capital outflows and profits stemming from these investments. In 1999, U.S. FDI in Jordan increased to \$30 million, up from \$15 million in 1995, probably as a result of U.S. textile and apparel manufacturers investing in the al-Hassan Industrial Park QIZ in Irbid, Jordan. However, even with this increase, Jordan is still a rare destination for U.S. FDI in the Middle East. In 1999, U.S. FDI in Jordan represented less than 0.3% of total U.S. FDI in the region.

³⁰*Jordan: An Industrial Review (1989-1994)*, The Amman Chamber of Commerce and the Industrial Development Bank, Amman, Jordan, 1995, p. 28, 53.

Table 5. U.S. Foreign Direct Investment in Jordan, 1994-1999
(All figures in Millions of U.S. Dollars)

| Year | Direct Investment Position on a Historical-Cost Basis | Capital Outflows | Income to U.S. Firms |
|------|---|---------------------|-------------------------|
| 1994 | 13 | 1 | 2 |
| 1995 | 15 | 2 | 2 |
| 1996 | D | D | D |
| 1997 | D | D | 5 |
| 1998 | D | D | D |
| 1999 | 30 | D | -3 |

Notes: Entries designated (D) are suppressed in order to avoid disclosure of data of individual companies.

Source: "International Accounts Data: U.S. Direct Investment Abroad," Bureau of Economic Analysis, Department of Commerce.

To help stimulate bilateral investment flows, the United States and Jordan negotiated a Bilateral Investment Treaty (BIT) on July 2, 1997.³¹ The United States has negotiated similar treaties with dozens of other countries, designed, according to the USTR, to (1) protect U.S. investments abroad, (2) encourage market-oriented economic reform, and (3) support international law standards regarding foreign investment.³² (For further information on Bilateral Investment Treaties, see CRS Report 98-39, *Foreign Investment Treaties: Impact on Direct Investment*, by James K. Jackson, January 12, 1998.) On May 23, 2000, President Clinton transmitted a message to the Senate seeking its advice and consent for ratification of the U.S.-Jordan BIT (Treaty Document No. 106-30).³³ On the same day, the Senate referred the treaty to the Committee on Foreign Relations by unanimous consent.³⁴ The Senate considered the treaty and gave its advice and consent to ratification on October 18, 2000.

³¹For the text of the agreement, see the web site of the U.S. Department of State at [http://www.state.gov/www/issues/economic/treaty_bit_jordan.html].

³²See "U.S. Bilateral Investment Treaty Program," United States Trade Representative, [<http://www.ustr.gov/agreements/index.html>].

³³*Weekly Compilation of Presidential Documents*, May 29, 2000, v. 36, n. 21, p. 1200.

³⁴*Congressional Record*, May 23, 2000, p. S4330.

Economic Reform in Jordan

Since ascending the throne in February 1999, King 'Abdullah has made economic reform a top governmental priority. As a result, Jordan has undertaken a number of structural adjustment reforms within the past year. For instance, in the context of its accession to WTO membership in April 2000, Jordan harmonized its General Sales Tax (GST) rates on domestic and imported goods, amended its customs law, and enacted new legislation protecting intellectual property rights (IPRs). In July 1999 and April 2000, Jordan also lowered tariff levels, further liberalizing its trade regime. Outside the realm of trade, Jordan has begun to corporatize some public sector companies in preparation for their eventual privatization. Public sector telecommunications and cement companies, in addition to companies in other sectors, have been partially or wholly privatized as well.³⁵ Jordan's accession to the WTO, combined with a free trade agreement with the United States, will likely increase the momentum for further economic reforms in Jordan.

Political Implications

Should Congress and the Jordanian parliament agree to the FTA, Jordan would become the first independent Arab country to have concluded an FTA with the United States. This would be interpreted by many as a sign of the strength of U.S.-Jordan bilateral relations and of the importance that the United States attaches to this relationship. The U.S.-Jordan FTA would also be interpreted as a demonstration of the United States' confidence in and approval of King 'Abdullah's leadership in general and of his economic reforms in particular. In addition, the FTA could modestly reorient Jordan's trade pattern towards the United States and therefore implicitly away from Iraq. If, as a result of the FTA, Jordan could generate substantial export revenues from the United States, it could eventually decrease its reliance on Iraq as a major trading partner.³⁶ If the FTA results in a significant 'peace dividend' through increased levels of foreign direct investment (FDI) and exports, potentially leading to job creation and sustained economic growth, support for the peace process within Jordan could increase. In addition, this could provide tangible proof to other countries in the region that the peace process can yield economic benefits for their people as well.

³⁵For further details on recent economic reform in Jordan, see "Jordan Letter of Intent and Memorandum on Economic and Financial Policies for 2000, July 4, 2000," International Monetary Fund (IMF), Washington, D.C.

³⁶A highly respected pan-Arab daily newspaper quoted unnamed Congressional sources who said that one of the aims of the U.S.-Jordan FTA is to reduce Jordan's economic dependence on Iraq. The apparent rationale for reducing this dependence is to make it easier to maintain the sanctions regime against Iraq by alleviating the economic dislocations that these sanctions have caused to countries, like Jordan, friendly to the United States. Muwafiq Harb, "A Free Trade Agreement between the United States and Jordan Will Be Signed before the End of the Month," *al-Hayat*, October 8, 2000.

**Appendix A. Public Comments Received by USTR on U.S.-
Jordan FTA**

| Company/Association | Position on FTA | Comment |
|---|--|---|
| Rubber and Plastic Footwear Manufacturers Association | Exclude products of Ch. 64 of HTS (footwear & gaiters) from the FTA | Trade association representing producers of footwear w/ rubber or plastic soles, protective footwear and slippers |
| American Textile Manufacturers Institute | Adopt NAFTA model for rules of origin, customs procedures, and safeguards on textiles | National trade association representing 562,000 workers |
| Pharmaceutical Research and Manufactures of America | FTA provides opportunity to strengthen economic reform in Jordan for mutual interest of U.S. & Jordanian pharmaceutical industries; concerned about Jordan's implementation of WTO & TRIPS commitments | Represents research-based pharmaceutical and biotechnology companies |
| Blue Diamond Growers | FTA should eliminate tariff on almonds | Non-profit farmer-owned almond marketing cooperative |
| Philip Morris Companies Inc. | FTA should eliminate tariff on dairy products, edible preparations, and tobacco; concerned that non-tariff barriers (labeling & regulatory requirements) hinder exports to Jordan | Subsidiaries manufacture tobacco (Philip Morris), food (Kraft), and beer (Miller) |
| BCTC Corporation | "Wholeheartedly" in support, especially on free trade in apparel | U.S. importer of apparel; establishing a manufacturing facility in the Irbid QIZ; products sold in Walmart, K-Mart, & Sears |

| Company/Association | Position on FTA | Comment |
|--|--|---|
| Women's EDGE | FTA should not undermine universal access to water or food security and should include international labor standards; a social and gender impact study should be conducted | Coalition of international development & U.S. women's organizations that advocate policies that empower women & improve their living conditions |
| Motion Picture Association | FTA should address the enforcement of anti-video piracy intellectual property rights (IPRs) | Trade association representing Buena Vista International (Walt Disney), Sony (Columbia/Tri-Star), MGM/United Artists, Paramount Pictures, 20 th Century Fox, Universal International Films, and Warner Bros. |
| American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) | FTA should include enforceable provisions protecting core labor & environmental standards | Voluntary federation of American unions, representing more than 13 million people nationwide |
| American Apparel Manufacturers Association (AAMA) | "Strongly" supports FTA; FTA should preserve the advantages of QIZs and adopt U.S.-Israel FTA rules of origin | Central trade association for U.S. companies that produce clothing; some members have shifted production to the QIZs |
| Energy Services Coalition | FTA provides the opportunity to fully liberalize trade in the energy services sector; FTA should include market-access commitments & pro-competitive regulatory framework | Coalition of 51 companies & trade associations whose goal is to promote the liberalization of energy services |
| Chocolate Manufacturers Association (CMA) & National Confectioners Association (NCA) | FTA should achieve reciprocal duty-free access for confectionery products | Represents 300 companies that manufacture more than 90% of chocolate & confectionery products in the United States |

| Company/Association | Position on FTA | Comment |
|--|---|---|
| U.S. Dairy Export Council | FTA should lower tariffs on dairy products from 20% to zero | Independent membership organization representing more than 80% of national milk production & other dairy products |
| West Point Stevens, Inc. | FTA should adopt rules of origin based on U.S.-Israel FTA | Largest U.S. manufacturer of sheets & towels |
| United States Association of Importers of Textiles & Apparel (USA-ITA) | FTA should be compatible w/ QIZs, lead to immediate reciprocal elimination of duties on textiles & apparel, and have minimum customs formalities | Represents more than 200 importers, exporters, manufacturers, distributors, & retailers |
| Kellwood Company | “Strongly supports” FTA & a rapid phase-out of apparel tariffs | Manufacturer & marketer of women’s apparel |
| National Retail Federation (NRF) | “Strongly supports” FTA & immediate duty-free treatment of consumer goods; FTA should incorporate U.S.-Israel FTA rules of origin on textiles & apparel | World’s largest retail trade association, representing more than 1.4 million U.S. retail establishments |

Source: United States Trade Representative Reading Room.

**Appendix B. Public Comments Received by USTR on
Environmental Impact of U.S.-Jordan FTA**

| Company/Association | Position on FTA | Comment |
|--|--|--|
| World Resources Institute | Supports environmental impact study; anticipates that FTA will have a minimal environmental impact | Provides information, ideas, and solutions to global environmental problems |
| United States Council for International Business | FTA should be modeled on U.S.-Israel FTA; “regrets” the introduction of environmental & labor provisions in FTA ; environmental & labor issues should be taken up outside the framework of the FTA | Organization addressing a broad range of policy issues with the objective of promoting an open system of world trade, finance, & investment |
| American Lands Alliance | FTA provides opportunity to demonstrate compatibility of economic development & environmental protection; environmental side agreement to NAFTA should set minimum standards for U.S.-Jordan FTA | Composed of Center for International Environmental Law, Defenders of Wildlife, Earthjustice Legal Defense Fund, Friends of the Earth, National Wildlife Federation, Pacific Environment and Resources Center, Sierra Club, & World Wildlife Fund |

Source: United States Trade Representative Reading Room.