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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 the 107th Congress on January 6, 2001. Bills to implement the FTA were introduced in the Senate (S. 643) on March 28, 2001, and in the House (H.R. 1484) on April 4, 2001. H.R. 2603 (Thomas) and S. 643 (Baucus) were reported out of the House Ways and Means and Senate Finance Committees on July 26, and H.R. 2603 was passed by the House, by a voice vote, on July 31.

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 also undertook several initiatives designed to assist the Jordanian economy. These initiatives included increased levels of foreign assistance, debt forgiveness, and the QIZ program.

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 moderately 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.

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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 then 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." The Clinton Administration submitted the agreement to the 107th Congress on January 6, 2001, and bills to implement the FTA were introduced in the Senate (S. 643) on March 28, 2001, and in the House (H.R. 1484) on April 4, 2001 (for further details, see the sub-section entitled *U.S.-Jordan FTA* in the *Congressional Interest* section). The Jordanian parliament reportedly ratified the FTA by a vote of acclamation on May 9, 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.

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[1] Steve Holland, "Clinton, with Jordan's King, Sees Progress on Peace," *Reuters*, June 6, 2000.

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

[3] For 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 Parliament Endorses Free Trade Agreement with US," *Dow Jones*, May 9, 2001.

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. Previous FTA's were concluded 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 $20.7 billion in 2000, representing more than 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 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 2000, the United States directly imported $4.8 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 further Arab-Israeli economic cooperation by providing goods produced with certain

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

[6] This 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.

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* and CRS Report RS20529, *United States-Israel Free Trade Area: Jordanian-Israeli Qualifying Industrial Zones*, by Joshua Ruebner, updated March 29, 2001.) 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 one of the United States' next free trade partners.[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] On November 1, 2000, 45 Representatives sent President Clinton a similar letter. 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, after 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 Clinton Administration took 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.

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[8]For 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.

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

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 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 Clinton 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 boosting Jordanian exports to the United States, 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 March 29, 2001.)

U.S.-Jordan FTA: Letters and Legislation

Some Members of Congress began to consider the idea of negotiating a U.S.-Jordan FTA seven 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 Clinton 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 letters[12] 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 his Administration to "promptly conclude negotiations" so that the Senate could

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

[12]Statement 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]

President Clinton submitted the U.S.-Jordan FTA to the 107th Congress on January 6, 2001, and the Senate Finance Committee held a hearing on the FTA on March 20. On March 28, Senator Max Baucus, then ranking minority member on the Senate Finance Committee, introduced a bill to implement the U.S.-Jordan FTA (S. 643), which was referred to the Senate Finance Committee. The committee held a mark-up session for the bill on July 17 during which it approved an amendment in the nature of a substitute offered by Senator Baucus correcting various technical and typographical errors spotted in the original bill. The committee also rejected an amendment offered by Senator Phil Gramm that would have restricted the scope of the dispute resolution mechanism in the treaty to deal with labor and environmental issues. On July 26, the Senate Finance Committee approved S. 643 by a voice vote.

Representative Sander Levin, ranking minority member on the House Ways and Means' Trade Subcommittee, introduced a similar bill (H.R. 1484) in the House on April 4, which was referred to the House Ways and Means and Judiciary Committees. On April 19, the bill was referred to the Subcommittee on Trade of the Ways and Means Committee and the Subcommittee on Immigration and Claims of the Judiciary Committee. On July 26, the House Ways and Means Committee approved similar legislation, H..R. 2603 (Thomas), an amendment in the nature of a substitute, by a voice vote.

Approval of the implementing legislation by House and Senate subcommittees on July 26, as indicated above, came after the ambassador of Jordan and Robert Zoellick, the U.S. Trade Representative, exchanged identical letters which (1) pledged to resolve any differences that might arise between the two countries under the agreement, without recourse to formal dispute settlement procedures; and (2) specified that each government "would not expect or intend to apply the Agreement's dispute settlement enforcement procedures . . .in a manner that results in blocking trade." In House floor debate, the letters were viewed alternately as: (1) part of "a cooperative structure. . . to help secure compliance without recourse to . . .traditional trade sanctions that are the letter of the agreement (Thomas); and (2) "a step backwards for future constructive action on trade" (Levin).

The House approved H.R. 2603 by a voice vote on July 31, 2001. The Senate approved H.R. 2603 by a voice vote on September 24, 2001. During the Senate debate, Senator Phil Gramm warned that he will oppose any effort to turn the U.S.-Jordan FTA into a model for how future trade agreements should deal with worker rights (and environmental protection issues). He argued that they should not be part

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

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

of trade deals. Conversely, Senate Finance Committee Chairman Max Baucus indicated he hoped the U.S.-Jordan FTA would set a precedent for how future trade agreements would address issues like labor and the environment. He also refuted a statement made by Senator Graham that the provisions would undermine U.S. sovereignty or prevent lawmakers from enacting and enforcing U.S. labor and environmental laws.

Reactions to the Proposed Free Trade Agreement

Clinton Administration: Economic and Environmental Impact Studies

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. Then United States Trade Representative (USTR) Charlene Barshefsky recently stressed 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]

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[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.

[18] For 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 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/].

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 Clinton 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 the nexus between 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. 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."

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

[20]William A. Orme, Jr., "Jordan's Long Road to the Free-Trade Club," *New York Times*, May 21, 2000.

[21]For 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 [http://www.ustr.gov/environment/draftjordanreview.html].

U.S. Private Sector Comments Received by the USTR

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 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), 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 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

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

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

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 argued 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 Environmental Impact Study and Private Sector Reactions

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, incorporated these public comments into a separate Jordanian environmental review of the FTA. The Jordanian negotiating team completed its preliminary environmental review of the agreement in July 2000.[25] Although the Jordanian negotiating team was unable "to be very detailed or quantitatively precise about the likelihood of specific impacts on the environment" resulting from the FTA, it did identify a number of potential environmental consequences–both positive and negative–that the FTA might occasion. On the positive side, the FTA could lead to expanded agricultural imports to Jordan, which would decrease the demand for water for agricultural purposes and

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

[25]Jordan Negotiating Team for the Jordan-U.S. Free Trade Agreement, "Environmental Review of the Jordan-U.S. Free Trade Agreement: A Preliminary Appraisal (Final Report)," July 2000. This study was funded by USAID through its Access to Microfinance & Improved Implementation of Policy Reform (AMIR) Program.

lessen the strain on this depletable resource. On the negative side, increased trade is likely to lead to greater amounts of solid wastes, which could prove to be problematic, especially in the Jordanian mineral and natural resources sectors. Also, increased trade would likely increase maritime traffic in the Gulf of Aqaba, posing risks to the fragile ecosystem of the Red Sea, famed for its coral reefs.

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."[26] 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.[27]

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.[28] 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-

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[26]"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.

[27]"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.

[28]For 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].

free trade in goods between the United States and Jordan. The duties on many goods 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.[29] 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 implement 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

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[29]For additional details, see CRS Report RS20968, *Jordan-U.S. Free Trade Agreement: Labor Issues*, by Mary Jane Bolle, July 19, 2001.

Parties do not resolve the dispute within 60 days 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 settlement panel. The dispute settlement panel is authorized to make non-binding recommendations to resolve the dispute. After the dispute settlement panel issues its recommendations within 90 days, the Joint Committee "shall endeavor to resolve the dispute, taking the report into account." If the Joint Committee stills fails to resolve the dispute within 30 days, 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 the 1990s, bilateral trade between the United States and Jordan was modest. Between 1992 and 1999, yearly bilateral trade flows between the United States and Jordan stayed fairly constant, registering a low of $275 million in 1992 and a high of nearly $430 million in 1997. In 2000, Jordan ranked as the United States' 98th largest trading partner in the world with roughly $385 million in trade turnover (imports plus exports).[30] Trade between the United States and Jordan has been predominantly uni-directional, with the United States enjoying a healthy trade surplus. In many 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 2000.

[30] "U.S. Trade Balance, by Partner, 2000," United States International Trade Commission (USITC) Trade Database.

Table 2. U.S.-Jordanian Bilateral Trade and Trade Balance, 1992-2000
(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
2000	312.7	73.2	385.9	239.5

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

In 2000, total bilateral trade between the United States and Jordan was roughly $385 million. U.S. exports to Jordan accounted for approximately 80% ($310 million) of this total. **Table 3** presents an overview of the top ten commodities that the United States exported to Jordan in 2000, ranked by ten-digit Schedule B classification and commodity description. Table 3 also shows the Jordanian tariff rate in effect since Jordan's accession to the WTO in April 2000, which was used as the base for the phased-in elimination of tariffs in the FTA, as well as the staging category for the elimination of tariffs as negotiated in the FTA.

In 2000, cereals accounted for three of the top ten leading U.S. exports to Jordan. Exports of durum wheat, wheat and meslin, and barley totaled $62 million and accounted for about 20% of total U.S. exports to Jordan. Under the prevailing tariff rates, these commodities already enter Jordan duty-free, reflecting 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.[31] 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 leading cereal exports are already zero.

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[31] Jordanian central government expenditures on food subsidies were phased-out incrementally from approximately $140 million in 1996 to zero in 2000. Data adapted from Central Bank of Jordan, *Monthly Statistical Bulletin*, Table 27: Economic Classification of Central Government Expenditures, February 2001.

Other leading U.S. exports to Jordan, such as airplane and helicopter parts, woodpulp, vessels, and aircraft turbines face low (0-10%) tariffs, while radio transceivers face moderately high (30%) tariffs. Tariffs on these leading export commodities will be phased-out according to the FTA, with the exception of smoking tobacco, which, at $14 million and 5% of total exports, was the fourth largest U.S. export to Jordan in 2000. Smoking tobacco faces a high tariff (70%) but its removal was not negotiated by the USTR in order to comply with the Clinton Administration's interpretation of the "Doggett Amendment" to the Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Act, 1998, and subsequent legislation (see **Table 3 Notes** for further details on this legislation).

In 2000, U.S. imports from Jordan totaled $73 million and accounted for approximately 20% of total bilateral trade. **Table 4** presents an overview of the top ten commodities that the United States imported from Jordan in 2000, ranked by ten-digit Harmonized Tariff Schedule (HTS) classification and commodity description. Table 4 also shows the U.S. tariff rate in 2000, which was used as the base for the phased-in elimination of tariffs in the FTA, as well as the staging categories for the elimination of tariffs as negotiated in the FTA. Table 4 furthermore subdivides these commodities into imports that entered the United States duty-free under the qualifying industrial zones (QIZ) program.

Approximately 40% (or $30 million) of all Jordanian exports entered the United States duty-free under the QIZ program in 2000. (For further details on the QIZ program, see CRS Report RS20529, *United States-Israel Free Trade Area: Jordanian-Israeli Qualifying Industrial Zones*, by Joshua Ruebner, updated March 29, 2001.) An additional 14% (or $10 million) of all Jordanian exports received preferential access to the U.S. market under the Generalized System of Preferences (GSP) program in 2000. (For further details, see CRS Report 97-389, *Generalized System of Preferences*, by William H. Cooper, updated January 8, 2001.) Leading Jordanian exports to the United States in 2000 included textiles and apparel, suitcases, briefcases, and jewelry. At least half of all exports in six of the ten leading export categories benefitted from QIZ status (textiles and apparel, suitcases, and briefcases) and all exports in two categories benefitted from the GSP program (jewelry).

Table 3. Top 10 U.S. Domestic Exports by FAS Value to Jordan, 2000

#	10-Digit Schedule B Classification & Commodity Description	Millions of $ (% of total)	Jordanian Base Rate	FTA Staging Category
	Total U.S. Domestic Exports to Jordan	**$305.60 (100%)**		
1	1001100090 Durum Wheat	$42.75 (14.0%)	0	E
2	8803300010 Unspecified Parts of Airplanes or Helicopters for Use in Civil Aircraft	$15.82 (5.2%)	10%	A
3	1001902055 Other Wheat & Meslin, Except Seed	$14.15 (4.6%)	0	E
4	2403100060 Smoking Tobacco	$14.08 (4.6%)	70%	*
5	4703210040 Chemical Woodpulp, Sulfate or Soda, Coniferous, Bleached	$10.77 (3.5%)	5%	A
6	8905905000 Unspecified Vessels, Navigability of which is Subsidiary to their Main Function	$9.14 (3.0%)	0	E
7	8525203055 Radio Transceivers, >400 MHz	$8.42 (2.8%)	30%	E
8	8411124010 Turbojet Aircraft Turbines for use in Civil Aircraft, Thrust > 25kN	$7.10 (2.3%)	0	E
9	9880004000 Low Value Estimate, < $2500, Excluding Canada	$5.72 (1.9%)	N/A	N/A
10	1003004090 Barley, Except Seed	$5.15 (1.7%)	0	E

Source: United States Trade Representative, United States International Trade Commission, Jordan Customs Department.
Notes:
A=Duties to be eliminated in two equal annual stages.
E=Duties already eliminated or to be eliminated in accordance with existing WTO duty-elimination commitments.
N/A=Non-applicable.
* The USTR did not negotiate the reduction of tariffs on tobacco products to comply with the Clinton Administration's 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. For instance, see Sec. 616, H.R. 5548, incorporated into H.R. 4942, signed into law as P.L. 106-553, December 21, 2000.

Table 4. Top 10 U.S. Imports for Consumption by Customs Value from Jordan, 2000

#	10-Digit Harmonized Tariff Schedule (HTS) Classification & Commodity Description	Millions of $ (% of total)	Of which QIZ	% of which QIZ	U.S. Base Rate	FTA Staging Category
	Total U.S. Imports for Consumption from Jordan	**$72.84 (100%)**	**$30.13**	**41.4%**	--	--
1	4202128070 Trunks, Suitcases, Vanity Cases	$6.32 (8.7%)	$5.59	88.5%	18.6%	F
2	6204633510 Women's Synthetic Trousers & Breeches, Not Knitted	$4.84 (6.6%)	$4.58	94.6%	29.3%	D
3	6203112000 Men's Suits, Wool, Not Knitted	$4.53 (6.2%)	$0.30	6.6%	21.2¢/ kg+ 18.9%	C
4	6204624020 Women's Cotton Trousers & Breeches, Not Knitted	$4.44 (6.1%)	$4.19	94.4%	17.0%	C
5	7113195000 Gold or Platinum Jewelry	$4.24 (5.8%)	0	--	5.5%	G
6	7113115000 Silver Jewelry	$4.10 (5.6%)	0	--	5.0%	G
7	6110202075 Women's or Girls' Other Pullovers	$3.63 (5.0%)	$1.90	52.3%	18.2%	F
8	6110303050 Men's or Boys' Other Pullovers	$2.57 (3.5%)	$2.45	95.3%	32.9%	F
9	9706000060 Antiques >100 Years of Age	$1.77 (2.4%)	0	--	0	E
10	4202128030 Attache Cases, Brief Cases, School Satchels, Occupational Luggage Cases	$1.50 (2.1%)	$1.26	84.0%	18.6%	F

Source: United States Trade Representative, United States International Trade Commission.
Notes: U.S. tariff rates do not apply to designated products of qualifying industrial zones (QIZs), which enter the United States duty-free.
C=Duties to be eliminated in five equal annual stages.
D=Duties to be eliminated in ten equal annual stages.
E=Duties already eliminated or to be eliminated in accordance with existing WTO duty-elimination commitments.
F=Duties to be retained until year ten and eliminated effective year ten.
G=Duties to be eliminated effective year one.

Since many Jordanian exports to the United States already qualify for duty-free or preferential access under the above-mentioned programs and the regular tariff rates (in the HTS), the FTA 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, 1,750 textile and ready-made apparel firms employed over 7,500 people. Excluding mineral and petrochemical production, textiles and apparels were Jordan's second leading worldwide industrial export (roughly $50 million) in 1994.[32] 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 non-QIZ 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.

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[32] *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 stimulate bilateral investment flows, the United States and Jordan negotiated a Bilateral Investment Treaty (BIT) on July 2, 1997.[33] 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.[34] (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).[35] On the same day, the Senate referred the treaty to the Committee on Foreign Relations by unanimous consent.[36] The Senate considered the treaty and gave its advice and consent to ratification on October 18, 2000.

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[33] For 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].

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

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

[36] *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.[37] 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.[38] 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.

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[37]For 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.

[38]A 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.

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CRS Report RS20968, *Jordan-U.S. Free Trade Agreement: Labor Issues*, by Mary Jane Bolle, July 19, 2001.

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
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

Company/Association	**Position on FTA**	**Comment**
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, 20th 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
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

Company/Association	Position on FTA	Comment
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.