The Jordan-U.S. Free Trade Agreement: Eight Years Later

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INTRODUCTION AND EXECUTIVE SUMMARY

Each year, graduate students from throughout the University of Michigan participate in the International Economic Development Program (IEDP) at the Gerald R. Ford School of Public Policy. The IEDP is an interdisciplinary learning experience that combines a student-led course with a policy tour of a selected developing country. Since the Ford School established the IEDP in 1999, participants have studied and traveled to China, Costa Rica, Cuba, the Czech Republic, Ethiopia, Morocco, Peru, and Venezuela.

The 2008 IEDP course and trip focused on Jordan, an emerging economy of strategic political and economic interest. Students in the course divided into five teams, with each team focusing on one policy topic of interest to the country. This report details the findings of the Trade Team, which analyzed the economic and social implications of the 2001 Jordan-U.S. Free Trade Agreement (JUSFTA). The JUSFTA was both groundbreaking and controversial when signed – and remains so today.

Our analysis was executed between January 7 and February 21 in Ann Arbor, Michigan, USA, and between February 24 and March 1 in Amman, Jordan. It is based on the information contained in this report, which was gathered from publicly available sources and through extensive interviews with U.S. and Jordanian policy makers and stakeholders.[1] Specifically, our assessment relies heavily on public trade data and on the on the information we gathered from interviewees about the intentions of, consequences of, and challenges posed by the JUSFTA.

While policymakers on both the U.S. and Jordanian sides often hailed the effects of the JUSFTA, our team's analyses indicate that the JUSFTA's effects reveal a more mixed picture:

- The benefits of Jordan's rapid increase in apparel exports to the United States after 2001 were largely captured by foreign firms and foreign workers.
- With the expiration of the Multi-Fiber Agreement (MFA) and the introduction of Qualified Industrial Zones (QIZs) in Egypt, apparel firms are leaving Jordan despite the guarantee of duty-free market access under the JUSFTA.
- The intellectual property rights provisions in the JUSFTA are unlikely to help Jordan become a regional information technology/communications hub.
- The effects of the JUSFTA on the pharmaceutical industry, while positive, are too small to have any significant impact on the Jordanian economy.

The following report discusses these findings, as well as the developmental challenges that Jordan must still overcome. As can be seen in this report, the Jordan-U.S. Free Trade Agreement has not been a panacea for Jordan's development challenges.

[1] We would like to thank the William Davidson Institute, Khalid al-Naif, Jordan Investment Board, Executive Privatization Commission, International Finance Corporation-Jordan Mission, Business Development Center, American Chamber of Commerce in Jordan, U.S. Embassy in Jordan, and Riad al-Khouri. The authors, not any stakeholder individuals and organizations, are responsible for the following analysis and any remaining errors.

I. BACKGROUND INFORMATION

Trade policy not only provides important theoretical and empirical questions for economic development theorists, but is also consequential for policymakers in developed and developing countries alike. In the 1950s and 1960s, economists urged policymakers in developing countries to adopt "import substitution" policies designed to promote production of import-competing goods for the domestic market; import protectionism, it was then believed, offered the best hope for developing infant industries and igniting economic growth. Now, having witnessed the phenomenal success of the "East Asian Tigers" (Taiwan, Singapore, Hong Kong, and South Korea) and China, the general economic consensus is that developing countries are best served by outward-oriented development strategies that do not distort incentives for exporting and import-competing goods.[1]

This evolution of thought has taken place against a backdrop of ongoing and widespread policy debates over the merits of free trade in general and of post-World War II trade liberalization in particular. While most economists defend institutions such as the World Trade Organization (WTO) designed to promote global trade liberalization and prevent the destructive beggar-thy-neighbor policies of the 1930s, critics of globalization decry free trade as a myth propagated by developed countries to preemptively gain access to developing country markets and retort that free trade should yield to "fair trade" instead.[2]

Who is to be believed and is free trade an important development remedy? A complete answer to that question is beyond the scope of the following analysis and will require substantial ongoing research and investigation for years to come. Nevertheless, it is our hope that this analysis may begin to shed some light on the effects of one free trade agreement on the economic development on Jordan.

A. Overview of Free Trade Agreements

Since President Reagan signed the landmark U.S.-Israel Free Trade Agreement in 1985, the United States has become party to seven bilateral and two multilateral Free Trade Agreements (FTAs).[3] These FTAs are trade pacts that are designed to promote efficient trade between nations; they eliminate almost all trade restrictions and subsidies between their parties. FTAs promote greater trade liberalization than preferential trade agreements (PTAs), which grant preferential access to certain products but do not eliminate all tariffs. (PTAs are also often viewed as WTO-illegal because they are neither reciprocal nor provided to developing countries on a non-discriminatory basis.)[4] At the same time, free trade areas are not as integrated as currency unions, which, like the EU, set a common external tariff level.

Trade and development economists are almost unanimous in their support for global trade liberalization that allows developing countries to boost exports of the agricultural products and labor-intensive manufactured products in which they have a comparative advantage.[5] Economists at the University of Michigan, for example, have used the Michigan Model of World Production and Trade to calculate that global free trade would increase global welfare by almost $3 trillion.[6] However, there is little consensus about bilateral and regional trade liberalization, which many believe to be "stumbling blocks" rather than "stepping stones" to global liberalization.[7] In particular, economists worry that bilateral and regional trade agreements divert rather than create trade and are therefore more harmful than beneficial.[8] Jagdish Bhagwati, a well-known Cambridge-, Oxford- and MIT-educated trade economist, derisively refers to the global network of bilateral free trade agreements as a "spaghetti bowl" that creates tangled, inefficient economic relationships between countries.

Nevertheless, the WTO allows for free trade agreements despite the fact that they deviate from its core principle of non-discrimination, found in Article XXIV of the General Agreement on Trade and Tariffs (GATT). Non-discrimination mandates that each country not discriminate between its trading partners or between its own and foreign products. While FTAs clearly violate the first of these mandates, the WTO believes that some trade liberalization is better than no trade liberalization; to be compliant, an FTA must eliminate tariffs on "substantially all the trade" between the participating countries "within a reasonable length of time."[9] The fact that FTAs are WTO-compliant, however, does not guarantee that they entail meaningful welfare benefits for both or all parties to an FTA.

B. Strategic Trade Considerations

Historically, FTAs are not signed between countries of equal economic might. The seven countries with which the United States has FTAs, for example, account for only 7.5 percent of world GDP.[10] From the perspective of a small developing country, an FTA with a developed economy has large potential economic benefits: it offers domestic export sectors the possibility of duty-free market access and also brings opportunities for increased foreign direct investment (FDI) from parties seeking to exploit the country's export platform. From the perspective of the United States, however, a free trade agreement with a smaller country may have minimal economic impact but large political and security implications.[11]

It is no accident that the United States signed its first FTA with Israel. From an economic perspective, Israel's $132 billion GDP is less than 1/10th of that of the United States and smaller than the GDP of over half the states in the country.[12] Clearly, the economic impact of the agreement on the United States is small. The political impact, however, is of greater magnitude; the Israel-U.S. FTA shows support for a democratic ally in a strategic and unstable region of the world. In fact, four of the seven U.S. bilateral FTAs (with Israel, Jordan, Morocco and Bahrain) are with countries in the strategic Middle East and North Africa (MENA) region of the world. The United States is also actively pursuing FTAs with Oman and the United Arab Emirates. Combined, the products exported by these six countries account for only $25.8 billion[13] of total 2007 U.S. imports, which reached $2.33 trillion.[14] It appears, therefore, that trade relations between the United States and MENA countries are driven as much by political concerns as by economic ones. This is even more apparent—but outside the scope of this memo—when one considers the MENA countries that do not have an FTA in force or in negotiation with the United States.

C. The Jordan-U.S. Free Trade Agreement

In line with this emphasis on political considerations, the United States did not focus on the Jordanian economy until Jordan's 1994 signing of the Washington Declaration, which normalized its relations with Israel and made the country a necessary strategic partner in the region. In the following years, Congress and the Clinton Administration pursued initiatives to economically reward Jordan for this "peace dividend," including increasing economic and military assistance and forgiving Jordan's U.S. debt. By the time that King Abdullah II ascended to the Jordanian throne in 1999 and made the U.S.-Jordan FTA one of his top priorities, the two countries had already signed a Bilateral Investment Treaty (1997), designated the Al-Hassan Industrial Estate in Irbid as the first Qualifying Industrial Zone (QIZ) in Jordan for tariff-free import to the United States (1998), and negotiated a Trade and Investment Framework Agreement (1999).[15]

The launch of Jordan-U.S. FTA negotiations received strong bipartisan support in the United States. By May 2000, 45 members of Congress had personally urged President Clinton to open negotiations. One month after negotiations began in June, former President Clinton received a letter from 41 Democratic and Republican senators that urged him to "promptly conclude negotiations" so that the agreement could be passed in the 106th Congress.[16]

President Clinton and King Abdullah II signed the JUSFTA on October 24, 2000. At the time, most U.S. experts agreed that it would have little economic impact on the United States as U.S.-Mexico trade was larger in an average day than U.S.-Jordan trade was in an entire year. Annual U.S. exports to Jordan were less than $300 million, or about the value of two Boeing jumbo jets.[17] For Jordan, however, the agreement stood to provide the country with a comparative advantage in a large export market and boost foreign direct investment from the United States. Based on press statements, the agreement was meant to signify the strong U.S. commitment to Jordan. It demonstrated U.S. support for the recently ascended King Abdullah II at a personal level, the Jordanian economic reform program at a national level,[18] and Jordan's role in promoting political stability and economic openness at a regional level.[19] From this perspective, the JUSFTA was a culmination of the previous years of U.S.-Jordan joint economic initiatives.

The Jordanian Parliament ratified the Jordan-U.S. FTA on May 9, 2001, without controversy.[20] The agreement, however, was not free of controversy in the U.S. It was the first U.S. FTA to include provisions on labor and the environment, which helped it garner support from constituencies that had strongly opposed the North American Free Trade Agreement (NAFTA) several years earlier. For example, John Sweeney, the president of the A.F.L.-C.I.O., praised the JUSFTA as "a basic and important step forward in making globalization work for working families" that "does not relegate workers' rights to second-class status." Environmental groups, including the Sierra Club and the National Wildlife Federation, echoed his support.[21] Still, the agreement became a divisive partisan political issue in the U.S. Congress, with Republican opposition denouncing the inclusion of "protectionist" environmental and labor provisions and Democratic opposition expressing concern that the provisions were not strong enough. As a result, ratification was held up in Congress until after the September 11, 2001 terrorist attacks.

On September 18, 2001, the *New York Times* columnist Thomas Friedman wrote powerfully in support of King Abdullah II and Jordan as a model moderate Arab country and potential ally in the war on terror.[22] Congress ratified the Agreement on September 28. The JUSFTA entered into force on December 17, 2001. It was the first U.S. FTA with an Arab country and only the fourth U.S. FTA overall.

D. The Provisions of the JUSFTA

Prior to the signing of the JUSFTA, Jordan had a mean un-weighted average tariff rate of 16 percent and the United States had a mean rate of 6 percent.[23] The 19 articles of the JUSFTA provide for the elimination of these tariffs on all goods and services traded between the two countries, excluding tobacco and alcohol, over a ten-year period beginning in 2001.[24] (Jordan is, however, granted a 15-year transition period during which it is allowed to apply temporary safeguard measures against U.S.-origin imports.[25])

The JUSFTA first removes the lowest tariffs, phasing out the highest tariffs over four subsequent stages.[26] By January 2005, tariffs on over 4,000 products had been removed, allowing for tariff-free import of 96 percent of the goods imported into the United States and 60 percent of the goods imported into Jordan. Tariffs on the remaining goods phase out by 2010. Tariffs on services are phased out in a similar way, including tariffs on "business, communications, engineering and construction, distribution, education, environment, finance, health, tourism, recreation, and transportation" services.[27] Breaking with previous U.S. FTAs, the JUSFTA specifies that e-commerce services/activities must also remain tariff-free (Article 7).

The JUSFTA (Article 4) further commits Jordan and the United States to building on intellectual property rights (IPR) commitments made under the WTO. These include copyright protection, software protection, and pharmaceutical data exclusivity—three areas particularly prone to IPR problems. (As part of its JUSFTA obligations, Jordan ratified and implemented the World Intellectual Property Organization's (WIPO) two major IPR treaties in 2004.[28]) Finally, the JUSFTA includes provisions for a wide spectrum of other trade issues, such as environmental (Article 5) and labor (Article 6) concerns. While the agreement explicitly does not impose one party's environmental or labor laws on the other or bind either party to any international standards, both parties agreed not to lower environmental and labor standards to promote trade.[29] Both parties also reaffirmed their "obligations as members of the International Labor Organization (ILO) and their commitments under the ILO Declaration on Fundamental Principles and Rights at Work."[30]

To qualify for JUSFTA tariff reduction, trade between the countries must meet specific "rules of origin" requirements which are set forth in Article 14 of the agreement. Exports must contain at least 35 percent domestic content (by value) and must be imported directly from the other country in order to earn duty-free status. (This contrasts with goods produced in Jordan's Qualified Industrial Zones, which require regional content equal to or greater than 35 percent, with 11.7 percent required from the QIZs, 8 percent from Israel, and the balance from the West Bank, Gaza, or a QIZ.) Moreover, unlike other U.S. FTAs that apply "yarn forward" rules of origin, the JUSFTA allows fabric from third countries to fulfill rules of origin requirements if it undergoes "double substantial transformation." For example, foreign fabric that is cut into component pieces in Jordan, and then sewn or assembled in Jordan, has undergone a double transformation. This provision allows for the flexibility to import raw materials from anywhere in the world.[31] (QIZs in Jordan are also given this provision.)

While not formalized as part of the JUSFTA, the U.S. government provides specific support for JUSFTA efforts in Jordan through additional mechanisms. For example, the U.S. Agency for International Development (USAID) funds the TIJARA initiative, a private-public sector partnership of organizations that coordinate their efforts to increase awareness and understanding of the FTA in Jordan and abroad. Another key U.S.-supported initiative is the Jordan-U.S. Business Partnership's Export Fast Track Action Program (EFTAP), which encourages small and medium-sized Jordanian companies to learn about and improve their capacity to export to the United States.[32] Finally, the U.S. Department of Labor funds three projects in Jordan to help the government eliminate child labor, protect worker rights, and promote core labor standards.[33]

II. JUSFTA PERFORMANCE THROUGH 2006

Prior to the 2001 implementation of the JUSFTA, there were three major economic impact studies released by the United States. All three found that the JUSFTA would negligibly impact total U.S. exports, imports, production, and employment.

- A U.S. International Trade Commission study predicted that Jordanian exports would increase measurably in only one sector, textiles and apparel.[34]

- A USAID sponsored study found that some of the predicted export boost in the textile and apparel sector would simply be the result of trade diversion from apparel products previously assembled in Jordan through the QIZ scheme,[35] adding its prediction that the FTA would benefit U.S. businesses in Jordan more than Jordanian businesses in the United States.[36]

- A Congressional Research Service report predicted that the agreement would be unlikely to have any dramatic effect on bilateral trade because leading export goods already enjoyed preferential treatment under the QIZ or Generalized System of Preferences, although it did add that the FTA could make Jordan less dependent on trade with Iraq and even replicate the success of QIZs nationwide by increasing U.S. foreign direct investment across the country.[37]

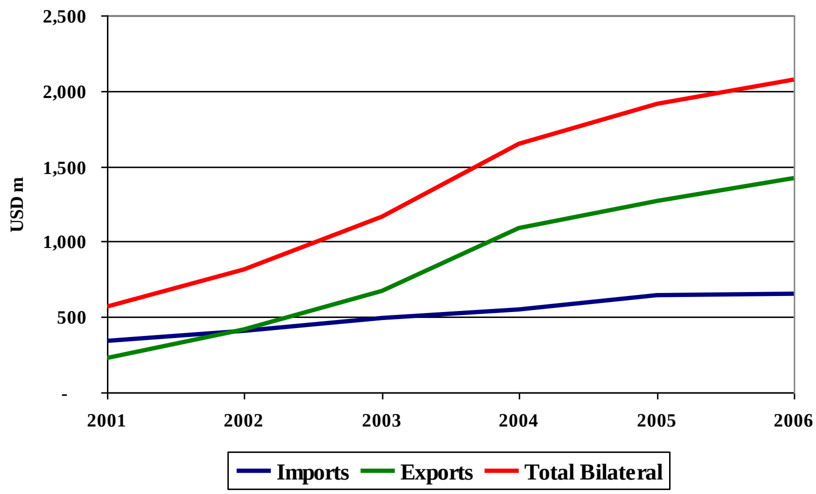
Unfortunately, it does not appear that any official economic impact studies were made public by the Jordanian government, nor was the agreement widely discussed in the media prior to implementation. After the implementation, government sources hailed the agreement as a success due to booming export statistics. Local economists were more skeptical, however, because export surges were located mainly in the QIZs while the benefits did not spread throughout the Jordanian economy.[38] We will now turn to assess the specific effects of the agreement on Jordan-U.S. trade and the Jordanian economy.

A. Measuring Economic Impact

It is undeniable that Jordan experienced rapid economic growth since the signing of the JUSFTA. According to the International Monetary Fund, the country's GDP grew from approximately $8.5 billion in 2001 to $16 billion in 2007. Total bilateral trade between the United States and Jordan grew even more rapidly. In 2001, Jordan exported approximately $229 million to the United States; in 2007, it exported approximately $1.3 billion.

Given this performance, it is easy to understand why many experts – both inside and outside of Jordan – have a positive view of the JUSFTA's impact on Jordan. In its 2006 Article IV consultation, the IMF staff mission credited the JUSFTA for "assisting Jordan's strong double-digit export growth" and "mitigating external sustainability risk" despite a growing current account deficit driven by rising fuel costs and import demand from Iraqi migrants.[39]

Figure 1: Total Jordanian Imports from and Exports to the United States



Data source: United States International Trade Commission Interactive Tariff and Trade Dataweb

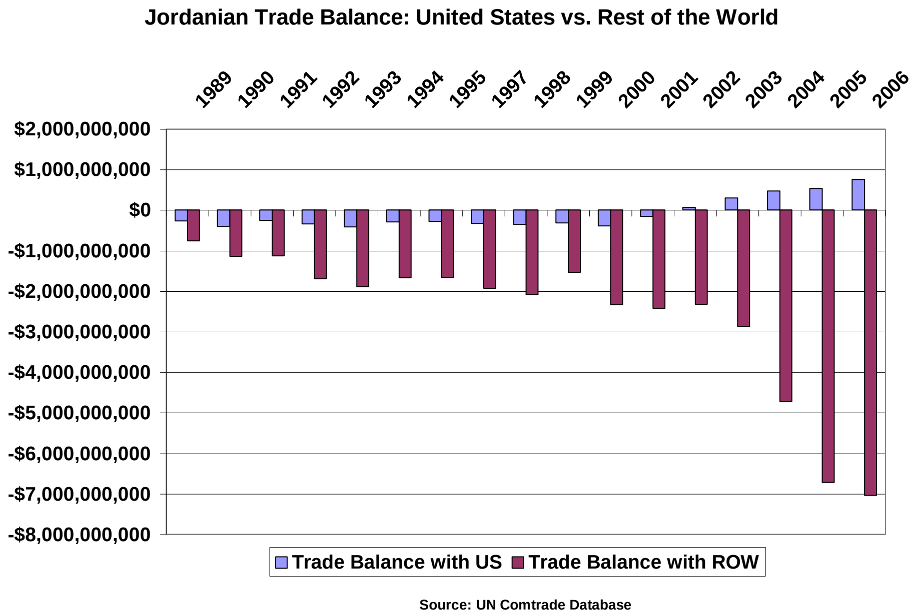
However, there have been many concurrent developments over the past eight years that make it difficult to determine the precise impact that the JUSFTA has had on Jordan's trade balance and export and import growth. Jordan continued to attract investment to its QIZs, another means of tariff-free entry to the United States, well after the signing of the JUSFTA. On a larger scale, Jordan became a member of the WTO in April 2000 and committed to bind most of its tariffs at a 20 percent ceiling by the year 2010. This means tariff liberalization under the WTO and other FTAs coincided with the commitments made under the JUSFTA. There were also other macro factors involved in Jordan's economic performance during the past eight years. In July 2002, the United States convinced members of the Paris Club to reschedule Jordan's debt.[40] In mid-2004, Jordan also emerged from 15 years of official IMF tutelage in fiscal reform and privatization. And, of course, demand for Jordanian goods and services, particularly in the housing sector, received a huge boost from the rapid influx of Iraqi refugees and capital following the 2003 U.S. invasion and subsequent occupation of Iraq.

Complicating accurate assessments, input-output tables for Jordan do not exist, making it impossible to employ trade-based computable general equilibrium (CGE) models despite their wide use in applied policy analysis with other FTAs.[41] This constraint thus precludes any application of the Michigan Model of World Production and Trade, as Jordan is not included in its 34 country database.[42]

B. Macro-Level Analysis

While it is difficult to separate the effects of the JUSFTA from other effects that contributed to Jordan's impressive economic growth after 2001, one simple test of the agreement's ability to create trade opportunities for Jordan is to determine whether the measure results in more or less trade with the rest of the world. This, in essence, serves as a proxy for ensuring trade creation versus trade diversion.[43]

Figure 2: Jordan's Trade Balance



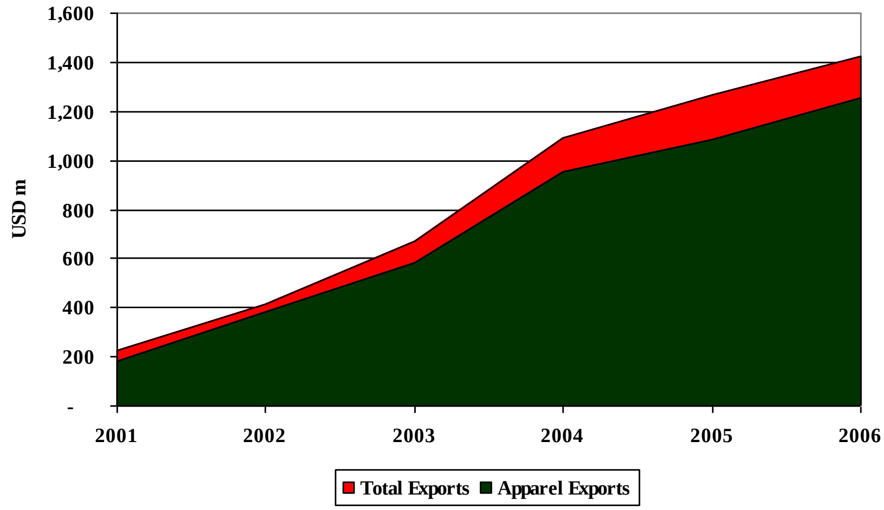
Jordan's trade with the United States outpaced its trade with the rest of the world in 2003 and 2004, but Jordan's trade with the rest of the world also increased since 2002. In 2005, Jordan's trade growth with the rest of the world actually surpassed trade growth with the U.S. The net effect of these changes suggests that Jordan—rather than the U.S.—captured much of the export benefits of the JUSFTA through 2006. Whereas the share of Jordan's imports from the U.S. decreased since 2002, the share of Jordanian exports destined for the U.S. increased dramatically from virtually nothing in 1998 to over 1/6th total exports in 2006 (see Appendix B). Furthermore, it suggests that the JUSFTA did not produce any significant trade diversion impacts on overall Jordanian trade with the rest of the world. However, analysis of aggregate trade statistics alone does not give a comprehensive understanding of the agreement's true affects.

C. The Apparel Industry

To address this analytical pitfall, one way to address the data difficulties inherent in any analysis of the JUSFTA is to follow the sectoral approach taken by a 2006 Chemonics International study, which analyzed Jordan-U.S. trade by industry sector.[44]

The first industry with which to start any analysis of the Jordanian economy is the apparel industry, which dominates Jordan's exports to the United States. Over the 2001-2006 period, apparel exports accounted for about 87 percent of total exports. While Jordanian apparel exporters witnessed little or no growth in exports to other markets, they made steady gains in the U.S. market, reaching 1.36 percent of total U.S. apparel imports in 2006 from .07 percent in 2000. Experts indicate that these impressive increases were assisted by rising productivity and falling labor costs.[45]

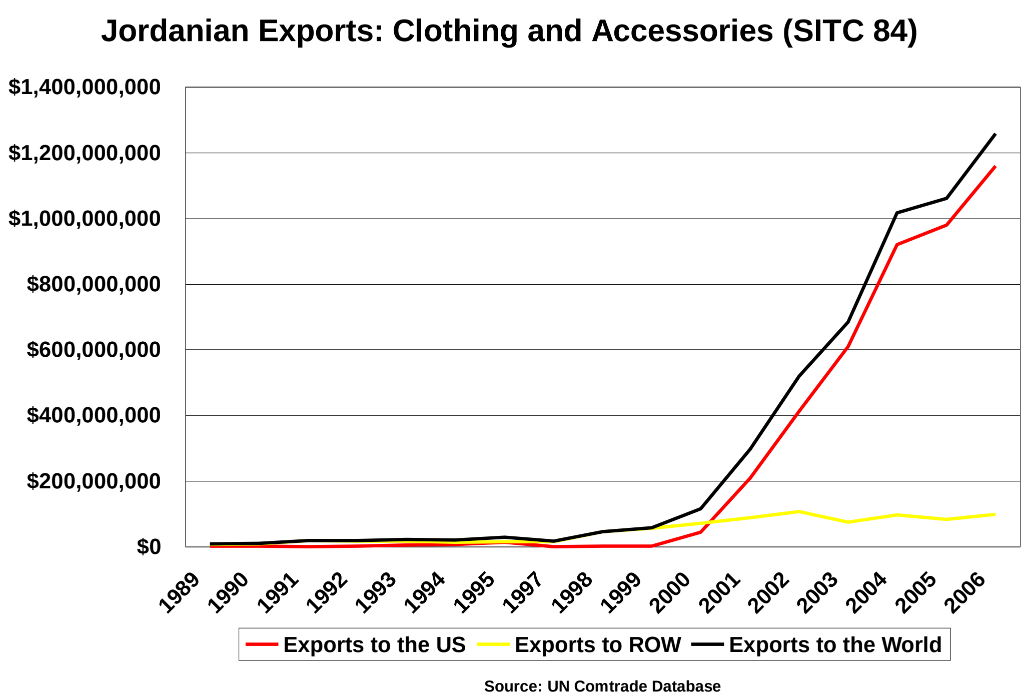
Figure 3: Jordanian Apparel Exports to the United States, as a % of Total Exports



Data source: United States International Trade Commission Interactive Tariff and Trade Dataweb

According to figures from the Jordan Investment Board (JIB), textiles and clothing industries in Jordan comprise approximately 776 industrial enterprises. One hundred fourteen of those companies employ over 25 people and 110 produce exclusively for export markets. The JIB estimates that 102 textile projects benefit from the JUSFTA. Camel Corporation, an apparel exporter that started operations with JD 5 million in capital and now exceeds JD 45 million, was often cited as the most successful of these companies.

Figure 4: Clothing and Accessory Exports from Jordan



Unfortunately, this positive perspective does not tell the whole story. First, given the stagnant amount of apparel exports to the rest of the world, it does not appear that Jordan's increasing U.S. apparel exports have provided the country with any spillover competitive advantages, as findings of "rising productivity" would lead one to believe. In fact, given the decreasing value after 2003 of the Jordanian Dinar versus the Euro and the currencies of other major export markets (the dinar is tied to the U.S. dollar), it is surprising that Jordan was unable to increase its "Rest of the World" apparel exports. Second, the predominance of textile manufacturing jobs in Jordan's export sector is doing little to help Jordan combat its "brain drain" problem. A large number of skilled Jordanians leave Jordan every year to take higher paying jobs in the Gulf. Clearly, an export sector that relies on low-paying textile jobs for over 80 percent of its value will do nothing to attract these employees.

Most importantly, the majority of the apparel factories that produce in Jordan for export to the United States are located in geographically-centralized QIZs. The factories' QIZ locations mean that the firms enjoy significant tax holidays from the Jordanian government (and thus do not contribute to the tax base) and are isolated from the bulk of Jordan's population. Over the 2001-2006 period, 90 percent of apparel exports from Jordan to the United States were made under the QIZ preference system rather than the JUSFTA preference system (see Table 1 below). Therefore, only 10 percent of total apparel exports to the United States are a marginal contribution from the JUSFTA. The rest of these exports would likely have occurred even without the JUSFTA provisions.

Table 1: U.S. Apparel Imports from Jordan under Preferential Trade Systems, 2001-2006 (SITC 84)

Import Program	2001	2002	2003	2004	2005	2006	Avg.
	In millions USD						
JUSFTA	0	4	7	13	127	208	**60**
QIZs	165	368	563	926	944	1,022	**665**
No program claimed	18	12	11	17	12	24	**16**
Total	**184**	**384**	**582**	**956**	**1,083**	**1,253**	**740**
% QIZ	**90%**	**96%**	**97%**	**97%**	**87%**	**82%**	**90%**

Even if the assumption is made that QIZ exports will eventually transition from the QIZ trade preference scheme to the JUSFTA scheme (an assumption that may not hold true, as is later discussed in the report), most apparel factories located in the QIZs are foreign-owned firms that employ a predominantly Asian migrant labor force. The firms' foreign ownership, combined with their current tax holidays, means that substantially all firm profits are repatriated to other countries rather than being re-invested in Jordan. In addition, the foreign workers repatriate most earnings as well. Conservative estimates cited by the JIB indicate that 13,200 foreign workers, technical experts, and operations managers work in the QIZ factories equating to over 25 percent of the apparel sector.[46] Other governmental and independent surveys have suggested that only 18,000 of the 54,000 QIZ employees are Jordanian, which translates to only 33 percent Jordanian representation in the apparel sector.[47] Although the Government of Jordan is aware of this imbalance and established a program to train 4,000 sewing operators on an annual basis, a significant labor gap remains even if all of these firms transition from the QIZ system to the JUSFTA system.

The apparel factories have also had one overtly negative effect on the Jordanian economy as well: they significantly blemished the "Made in Jordan" brand. In 2006, the U.S. National Labor Commission released a damning report that cited multiple labor abuses and lax oversight of labor standards in QIZ garment factories.[48] The *New York Times* quickly picked up the story and cited, among many injustices, the fact that Bangladeshi and Chinese workers had their passports confiscated and were then required by their factories to work until midnight, while Jordanians were allowed to leave at 4 p.m.[49] The Jordanian government decried the practices of "a few bad apples" and closed five factories.[50] However, two U.S. labor unions (the AFL-CIO and National Textile Association) urged the U.S. government to initiate formal trade litigation under the JUSFTA labor provisions in August 2006. While the Bush Administration rejected the proposal, the Government of Jordan and the U.S. Agency for International Development (USAID) established the Joint Labor Assessment and Training Project to independently assess working conditions in Jordan's apparel factories. Nevertheless, the image of Jordan as a location for "sweatshop" labor remains; a large problem for a country that sells apparel products to image-conscious buyers ranging from Banana Republic to Victoria's Secret.

D. The Information and Communication Technology Industry

The other common effect discussed by officials when talking about the JUSFTA is a result of the agreement's stringent IPR clauses. These officials often label the JUSFTA intellectual property rights clauses as "TRIPS plus," a reference to the fact that the agreement is stricter than the WTO's Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS). They argue that, in combination with Jordan's literate, educated workforce, the JUSFTA's IPR clauses make Jordan an attractive opportunity for companies wishing to outsource IP-heavy information and communication technology (ICT) services and also for companies wishing to base pharmaceutical R&D and manufacturing services.

While ICT is currently a small part of Jordan's economy, the country's officials are not shy about stating their goal to have Jordan become an ICT hub for the region. In reality, however, there is little evidence that the JUSFTA contributes to this goal. Jordan is ranked 57th overall in the World Economic Forum's 2006-07 *Global Information Technology Report's* Networked Readiness Index. Its telecommunications exports to the United States decreased over the 2001-2005 period, the most recent for which data is available (see Table 2 below).

While many argue that the JUSFTA's "TRIPS Plus" conventions will attract foreign ICT investment and contracts, this has yet to be seen. Like U.S. exports, telecommunications exports to Great Britain, another country with a well-recognized IPR commitment, also decreased over the 2001-2005 period. The major export increases during this period were to China and South Korea. However, since China is perennially on the U.S. government's "Special 301" list, which identifies countries that inadequately protect IPR, it is unlikely that Jordan's status as a "TRIPS Plus" service provider drives these exports. South Korea is also on the 2007 Special 301 list.[51]

Table 2: Jordanian Telecommunications Exports, 2001-2005 (SITC 764)

	Value 2001 US$ 000s	Value 2002 US$ 000s	Value 2003 US$ 000s	Value 2004 US$ 000s	Value 2005 US$ 000s
China	15,409	20,105	27,772	44,122	62,193
South Korea	12,273	15,805	21,517	31,099	33,309
Hong Kong	13,300	16,264	19,557	25,098	-
United States	26,133	21,587	20,363	24,015	25,644
United Kingdom	16,824	17,409	13,168	10,993	-
Total - Top 5	**83,939**	**91,170**	**102,376**	**135,327**	**121,146**

Even within the MENA region, it is unlikely that Jordan's "TRIPS Plus" status drives ICT trade and significantly contributes to Jordan's development as a regional ICT hub. Of the 15 MENA countries for which telecommunications export data is available, 6 are on the Special 301 "Priority Watch" or "Watch" list. Therefore, the ability of the JUSFTA's provisions to incentivize regional ICT development also appears minimal.

E. The Pharmaceuticals Industry

U.S. and Jordanian officials commonly point to the pharmaceuticals industry as another that benefits from the JUSFTA. While the nascent pharmaceuticals industry is directed to regional rather than U.S. markets, officials indicate that the FTA's TRIPS Plus provisions encourage investment in this industry as well. Supporters point to the successes of the Arab Pharmaceutical Manufacturing Company (APMC), an active exporter that is listed on the Amman Stock Exchange. APMC manufactures, produces, markets and sells pharmaceuticals, compounds, and derivatives and also performs research and development activities. With almost 1000 employees and 2006 sales over $29 million, APMC is a large player in the regional and global pharmaceuticals market. International partners include the Takeda Pharmaceutical Company of Japan.[52]

According to the Pharmaceutical Manufacturers Association of America (PhRMA), the JUSFTA made Jordan's market more appealing for sales and licensing agreements. This may be true; in 2006, the United States exported $11.4 million in pharmaceutical products to Jordan, an almost 70 percent increase from 2001. Assuming that these pharmaceutical products provide real improvements over products previously offered in Jordan, this provides an important health benefit to the Jordanian society. However, it is less economically significant; $11.4 million in exports represented less than 2 percent of total U.S. exports to Jordan that year. Supporters who argue that the JUSFTA provides incentives for U.S. firms to contract research and development activities to Jordan face a similar challenge when trying to prove economic relevance. U.S. pharmaceutical imports from Jordan totaled only $7 million in 2006; a significant increase over 2001 numbers, but still less than one-half of one percent of Jordan's total exports to the United States.

Table 3: U.S. Pharmaceutical Imports from and Exports to Jordan, 2001-2006 (SITC 54)

TOTAL	2001	2002	2003	2004	2005	2006	2007	% Change 2001 - 2007
	In 1,000 Dollars							
Imports	107	1,921	566	1,035	1,827	5,118	6,525	5998%
Exports	6,709	4,803	4,363	5,421	7,072	11,357	12,358	84%

As discussed in the previous ICT section, Jordan's TRIPS Plus status is unlikely to have a significant impact on its pharmaceutical trade with other MENA countries. In addition, even with TRIPS Plus and duty-free status, Jordanian pharmaceutical firms face substantial non-tariff barriers when attempting to penetrate developed markets. Pharmaceutical regulations in the United States, the European Union, and Japan are forbiddingly strict. Jordanian producers, for example, are unlikely to meet the U.S. Federal Drug Administration's "Good Manufacturig Practices" for pharmaceuticals and will therefore be unable to provide contract manufacturing to U.S. firms.

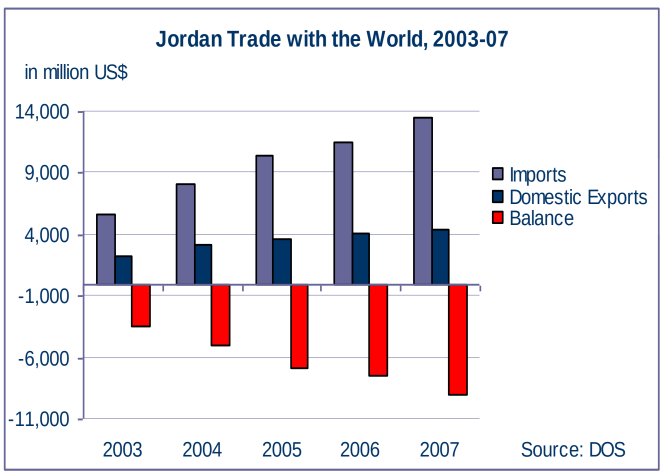
Due to all these factors, the impact of the JUSFTA on Jordan's pharmaceutical industry is likely to remain small.

III. THE JUSFTA FROM 2007 FORWARD[53]

As depicted in Figures 2 and 3, overall trade between Jordan and the United States remained strong over the 2001 to 2006 period. The Jordanian economy, while challenged by external and internal events, continued to grow at an acceptable rate. These factors allowed officials on both sides of the relationship to maintain that the JUSFTA had a large, positive impact on the Jordanian economy—despite the results of our above analyses, which indicate otherwise.

The recent release of Jordan's 2007 economic data, however, has complicated previous rosy assessments. Jordan's current account deficit during the first three quarters of the year reached $1.75 billion, or 15.1 percent of GDP; an increase of 22.5 percent compared to the same period in 2006. As a result of stagnation in export growth and an increase of imports, Jordan's trade deficit (imports less domestic exports) exceeded $9 billion in 2007, which was 22 percent higher than 2006. The manufacturing, construction, finance, insurance, real estate, transport and communications sectors all reported decreasing growth rates over the first three quarters of 2007.

Figure 5: Jordan's Trade with the World, 2003-2007



A. Jordan-U.S. Trade in 2007

For the first time since 2001, total exports to the United States decreased in 2007, falling 6.2 percent to $1.3 billion from their 2006 high of $1.4 billion. Growing risks in the Jordanian textile industry, the primary beneficiary of tariff liberalization in U.S. markets, contributed to this fall. While remaining the majority contributor to Jordan's export sector, apparel exports to the United States fell 1.5 percent (over $107 million) in 2007 after growing 16 percent in 2005 and 13 percent in 2006. Apparel and clothing constituted only 85.9 percent of total exports to the United States in 2007, a decrease from 88.1 percent in 2006 and a total decline of 8.6 percent from 2006 (see Appendix A).

The decline in apparel exports can be attributed to one primary problem: stagnation in QIZ exports (see Appendix C). As Table 4 below shows, there was a modest 1.2 percent growth in apparel exports claimed under the FTA over the 2006-2007 period. This growth, however, was not sufficient to offset the large decreases in QIZ exports. These figures show that while there may be some trade diversion from QIZs to the FTA, more apparel exporters appear to be leaving the country than starting to export under the JUSFTA.

Table 4: Summary of Bilateral Trade, 2001-2007, in US$ Million

	2001	2002	2003	2004	2005	2006	2007	% Change 06-07
Exports	**229**	**412**	**673**	**1,093**	**1,267**	**1,421**	**1,333**	**-6.2%**
QIZ	*181*	*369*	*564*	*927*	*945*	*1,022*	*923*	*-9.7%*
FTA	-	*13*	*28*	*21*	*246*	*309*	*313*	*1.2%*
NTR	*39*	*24*	*46*	*55*	*64*	*75*	*85*	*14.0%*
GSP	*9*	*6*	*35*	*90*	*12*	*15*	*12*	*-20.6%*
Pharma	-	-	*0.04*	*0.02*	-	*0.00*	*0.18*	*4375.0%*
Imports	**339**	**397**	**479**	**531**	**607**	**623**	**832**	**33.4%**
Total trade	**568**	**809**	**1,153**	**1,624**	**1,874**	**2,045**	**2,165**	**5.9%**
Trade balance	**(110)**	**15**	**194**	**561**	**660**	**798**	**501**	**-37.2%**

Data source: United States International Trade Commission Interactive Tariff and Trade Dataweb

B. MFA Expiration

Clothing exports face tough competition from other countries, particularly with the 2005 expiration of the Multi-fiber Arrangement (MFA). The MFA, which governed world textile trade since 1974, imposed quotas on the amount of textile and apparels that developing countries could export to developed economies. Previously, many of the Southeast Asian-owned firms operating in Jordan used QIZ production as a means to circumvent the quota limits imposed on operations in their home countries. With the expiration of MFA quotas, these firms no longer need to export from external markets and are free to "pack up" operations in Jordan and return home.

In addition, while the MFA expired in 2005, China and the United States signed a bilateral memorandum of understanding (MOU) that imposed voluntary quotas on China's textile and clothing trade in July of that year. The MOU's quotas expire on December 31, 2008.[54] While some experts believe that the re-imposition of quotas on China did not affect Jordan's export performance,[55] it remains to be seen how the end of the restrictions on China will affect Jordan's competitiveness. Chinese companies that currently operate in Jordan's QIZs may cease operations there. In addition, a surge in the overall quantity of China's apparel exports to the United States, which increased by 20.7 percent even with the restrictions,[56] may make it impossible for Jordan to produce at a level of scale needed to obtain enough efficiency to compete with Chinese producers.

C. Regional Apparel Competition

Jordan faces increasing competition not only from Asian-domesticated producers, but also from producers in neighboring countries. A 2006 World Bank report stated that Jordan's position in the U.S market is not threatened by China and Mexico, the two biggest U.S. suppliers, but rather by other MENA countries.[57]

Prior to 2006, Jordan's apparel firms enjoyed several advantages over competitors in Egypt. Labor costs for Jordan's apparel industry were comparable to those of most Asian exporters, slightly lower than the average wages in Mainland and Coastal China. However, the Jordanian government passed a minimum wage law in 2006 increasing the minimum wage from $127 to $155 per month. Compounding this problem, many leases for South Asian companies operating in the QIZs began to expire in 2005, providing further incentive for these firms to exit Jordan in search of less expensive operations elsewhere. Egypt is one popular destination for apparel companies; the current textile industry minimum wage there is approximately 105 Egyptian pounds,[58] equivalent to $19.

Given this, the United States' 2004 entry into its first Egyptian QIZ agreement created additional pressure on Jordan by providing an alternate regional location for QIZ production. Many producers view Egypt favorably because they already source textiles from the country due to Egypt's long history growing and milling cotton. Establishing production in Egypt therefore allows these producers to simplify their logistics chains. Apparel firms appear to be taking advantage of this: in the first three quarters of 2007, the volume of Egyptian QIZ exports to the United States reached $580 million, a 23 percent increase over the corresponding period in 2006 and an amount greater than 50 percent of Jordan's entire-year QIZ apparel exports.[59] Given these numbers, it is not unreasonable to hypothesize that Egyptian QIZs are absorbing some of the $100 million in apparel export business that Jordan lost in 2007.

Table 5: Summary of U.S. Imports under Trade Programs, 2001-2007, in US$ Million

Special Import Program	2001	2002	2003	2004	2005	2006	2007	% Change
	In USD Millions							2006-2007
JUSFTA	0.00	12.60	27.92	20.69	246.47	309.06	312.63	1.16%
Jordan - QIZ	180.79	369.46	563.93	927.33	945.02	1022.02	922.73	-9.72%
Jordan - Total QIZ and FTA	180.79	382.06	591.85	948.02	1191.49	1331.08	1235.36	-7.19%
Egypt - QIZ	0.00	0.00	0.00	0.00	266.31	643.50	739.73	14.95%

Sources: U.S. International Trade Commission DataWeb (http://dataweb.usitc.gov/)

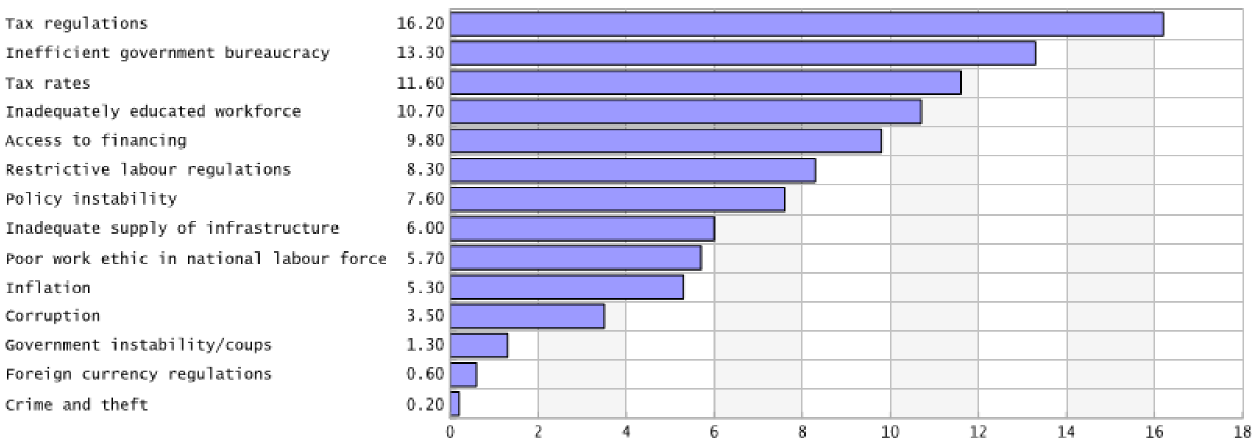
In addition, increased labor scrutiny at Jordanian QIZ firms may make operating there less attractive than operating in Egypt. In December 2007, foreign workers at one QIZ factory complained that the cost of accommodation had been raised to compensate for their employer being forced to increase their monthly minimum wage to $155. As a result, the Jordanian government announced that it was tightening criteria for inclusion in its "golden list" of best QIZ employers.[60] While it is undeniable that laborers operating in all QIZs deserve fair wages and labor standards, firms may decide to move to Egyptian QIZs to bypass the active monitoring of Jordanian QIZ firms.

D. Outlook for 2008 and Beyond

Unfortunately, the JUSFTA has apparently had little impact in improving Jordan's global economic competitiveness since 2001. Jordan's ranking on the World Economic Forum's

Growth Competitiveness Index stagnated from 2005-2007 after reaching a high of 34 in 2003 and 35 in 2004. The addition of new countries to the index has caused Jordan's ranking to drop to 49 by 2007. According to the Index, there are still a number of problematic factors for doing business and manufacturing for export in Jordan, including issues with tax regulations, inefficient government bureaucracy, tax rates, and an inadequately educated workforce.

Figure 6: The Most Problematic Factors for Doing Business in Jordan (% of Responses)



Source: World Economic Forum, Growth Competitiveness Index

Moreover, there are problems with Jordan's economic structure. Because of the decrease in textile and garment exports to the United States and the resulting decline in 2007 export growth, Jordan must diversify into high-value-added and knowledge-based sectors in order to remain competitive. The Business Development Center (BDC) in Jordan believes that Jordan's competitive advantage is in "niche, customized products" that include customized textiles, embroidered designs, Dead Sea products, jewelry, and ethnic food items. These "high value added" goods have higher profit margins and are produced by Jordanian-owned and -operated firms. However, because of the specialized nature of production, these goods will not replace the large volume of the departing "low value added" textile and garment industries. New sources of competitive advantage must be found.

To do this, Jordan must overcome the following challenges:

1. <u>Information and Communications Technology</u>

The ICT sector in Jordan has received considerable attention from the Government of Jordan, the private sector, and donor agencies. Several organizations, including the Jordan Investment Board and the King Abdullah Fund for Development, hailed ICT as one of the areas that will be instrumental in transforming Jordan into a "knowledge-based economy."

The REACH initiative was launched by the Jordanian Ministry of Information and Communications Technology (MOICT) in 1999 to "bolster the country's nascent ICT sector and maximize its ability to compete in local, regional and global markets. REACH proposed increasing the number of ICT related jobs by 30,000, reaching $550 million in annual ICT exports, and increasing internet penetration to 50 percent, all by 2004.[61]

However, as of late 2007, Jordan was below the REACH targets and had fallen behind its neighbors in some ICT sectors. Jordan's ICT workforce remained at 16,000; internet penetration reached 11 percent, and PC ownership was only 7.1 percent.[62] REACH's failures have been attributed to focusing on the software sub-sector, and not intellectual property, where there is higher value added.[63]

While the JUSFTA IPR protections have provided limited benefit to-date, they may be able to provide comparative advantage when dealing with Western and other developed-country firms in the future. Since the implementation of the JUSFTA, several Jordanian ICT firms received foreign direct investment and thereafter expanded into the U.S. market. Jordan-based animation and e-education company Rubicon, for example, partnered with Pixar studios, MGM studios and Cisco Systems.[64] Other successful Jordanian ICT firms include Maktoob, Batelco, and Al-Bawba.[65]

However, there remain significant challenges in trying to expand the ICT sectors. This sector represents 10 percent of the Jordanian GDP, but continues to manifest a negligible percentage of trade volume with the United States. The high cost of local phone calls limits internet diffusion and the high cost of computers prevents significant public adoption of ICT technologies. (A computer costs 80 percent of the average Jordanian's annual salary.[66]) There is a deficiency of diversified ICT demand, as the Jordanian Government is the principle buyer of ICT services, and a lack of IT soft skills. Many IT graduates are inadequately prepared out of college and require six to nine months of additional training before entering the workforce.[67] Jordan will have to overcome these challenges in order to be able to increase the volume of trade in ICT services to the U.S. and attract ICT investment and contracts through the JUSFTA's "TRIPS Plus" conventions.

2. Pharmaceuticals

The Jordanian pharmaceutical industry is comprised of 17 companies[68] and is the third largest exporter in the country,[69] currently employing 4,000 direct hires and exporting $250 million to 60 countries.[70] The industry mostly exports to neighboring countries including Saudi Arabia, Iraq, Algeria, and Libya.[71]

In 2007, medicinal and pharmaceutical exports to the U.S. increased by 27.5 percent, to $6.53 million.[72] Since 2001, Jordan's pharmaceutical industry has complied with the intellectual property rights regime dictated by TRIPS and the JUSFTA allowing for product patents, expanded data exclusivity rules, and limited compulsory licensing. Most Jordanian pharmaceutical companies reproduce patents, as Jordan lacks the market and capital to develop new patents.[73] The pharmaceutical industry is highly fragmented; the leading drug-maker, Hikma, holds only a 6.4 percent market share.[74]

Despite the growth of the pharmaceutical industry in 2007, it represents less than 0.014 percent of the total value of exports to the U.S. and 0.00096 percent of the value of Jordanian exports under the JUSFTA.[75] As previously discussed, the major constraint to entering the U.S. market is approval by the U.S. Food and Drug Administration, as filing with the agency requires certification and a $300 million investment. Hikma is currently the only Jordanian pharmaceutical company to obtain USFDA approval.[76] Other key challenges are low prices, due to government-imposed price caps, and the proliferation of cheap generic products.[77]

3. Other Services

The service sector accounted for over 67 percent of the Jordanian GDP in 2007 but represented a negligible percentage of the export volume to the United States,[78] in spite of the JUSFTA's liberalization of tariffs on services. From 1993 to 2003 Jordanian service exports declined by an average of 0.5 percent per year.[79] An "Assessment of Trade in Services of Jordan," developed by the Ministry of Industry and Trade and the United Nations Conference on Trade and Development (UNCTAD), identified construction contracting services, tourism and travel-related services, and banking and financial services as the primary service sectors for potential growth beyond the ICT industry.[80]

4. Other Challenges

Jordan's "brain drain" or migration of its highly skilled professionals abroad, increased in recent years due to the high unemployment rate and sharp rise in the cost of living in Jordan. The Department of Statistics estimates that the total number of Jordanians working abroad ranges from 600,000 to 670,000; the majority are working in Saudi Arabia, the United Arab Emirates, Kuwait, Qatar, Oman, and other Arab Gulf countries.[81] Economist Yusuf Mansur predicts that a rise in the cost of living would lead to a further brain drain as professionals in the Gulf earn salaries three or four times what they are paid in Jordan. The sectors most likely to be affected are ICT, high-tech industries, construction, engineering, medicine, and financial services.[82]

Other labor issues affecting the Jordanian economy and contributing to the high unemployment rate include the lack of soft skills, cultural perceptions towards work, and long-standing social welfare benefits that incentivize unemployment.

Challenges and constraints that limit the growth of the manufacturing and industrial sectors in Jordan are a lack of natural resources, water scarcity, and inefficiencies in Jordan's trade logistics, including low traffic volume and limited shipping services.[83] The cost of production in Jordan will increase with the elimination of fuel subsidies, as 76 percent of energy consumption in Jordan is fueled by crude oil products.[84] In addition, political instability in the Middle East continues to be a deterrent for U.S. investment in Jordan. Leading investor concerns were the continued instability in Iraq, possible outbreak of war with Iran, the risk of terrorism, anti-Western bias, and ethnic conflicts in the region.[85]

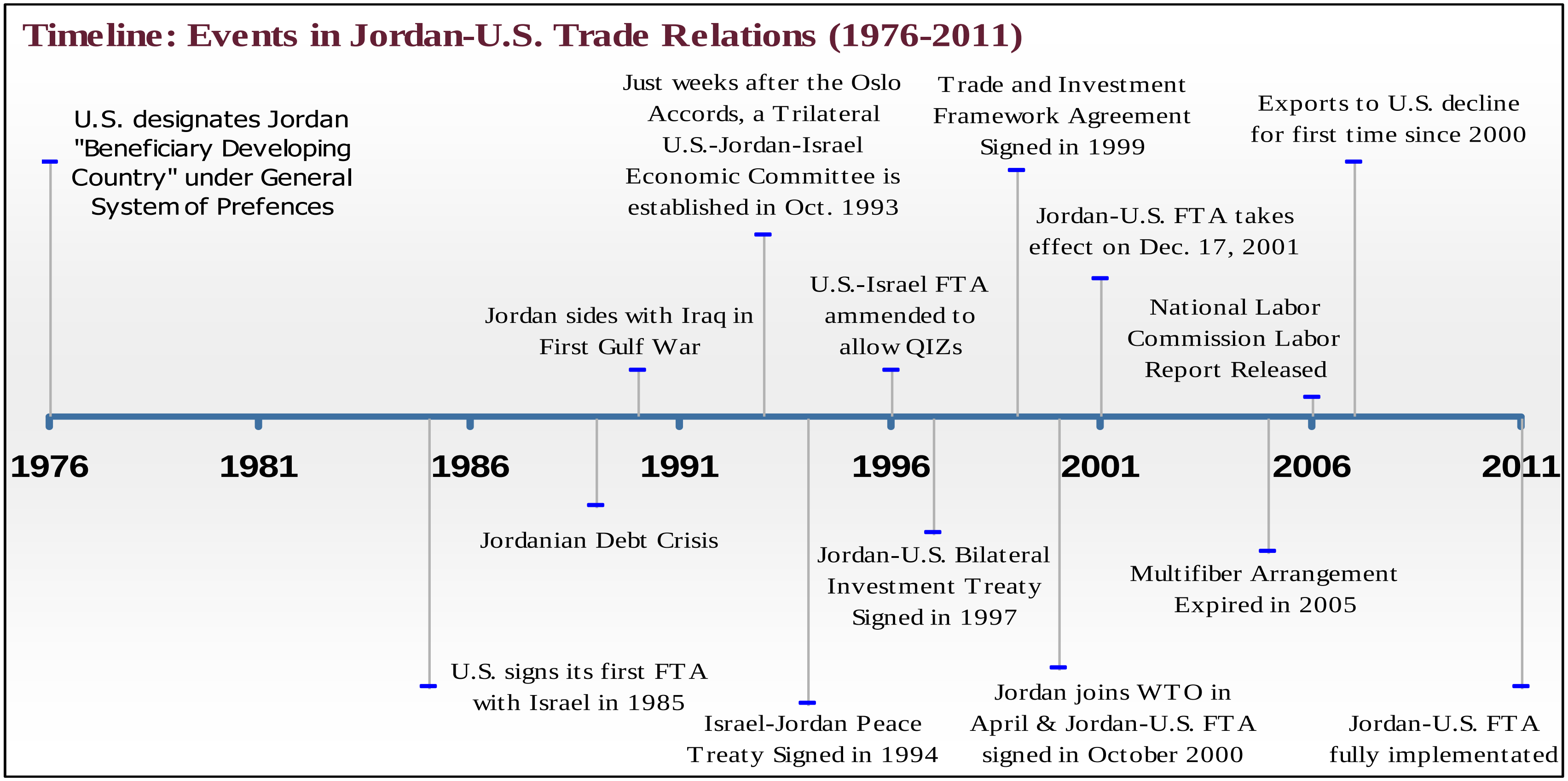
IV. CONCLUSIONS AND IMPLICATIONS FOR FUTURE JORDANIAN FTAS

Our analysis suggests that the economic gains attributed by Jordan to the Free Trade Agreement are smaller than officials and experts indicate. In addition, the sustainability of the country's export growth is now in question. The textile and garment industry appears to be leaving Jordan for states offering cheaper labor, such as neighboring Egypt, and for its home countries. This process will likely accelerate after quotas on Chinese textiles expire at the end of 2008. Unfortunately, we found little evidence that Jordan took advantage of the relatively benign early FTA years to prepare for what appears to be the inevitable departure of the apparel sector. This exodus may leave the country's economy in a severely depressed state unless donors and the Jordanian government are able to take significant steps to develop new service export sectors.

Although sectors such as information technology, pharmaceuticals and tourism display indications of strong, sustainable growth, taken combined they simply will not be able to offset the loss of nearly $1 billion in export value the textile and garment sector provided in 2007. In addition, the JUSFTA provides few of the advantages that Jordan needs to develop these sectors, such as better-trained human capital and assistance in overcoming non-tariff barriers. At the same time, Jordan's economy is unlikely to experience positive external shocks, such as the influx of Iraqi capital after 2003.

Over the next few years, the story of Jordan's experience with free trade in general may become tarnished with growing economic woes. That would be bad news both for global trade liberalization and for Jordan's economic development. It would also indicate that the JUSFTA's economic provisions, which were hailed at the time of the agreement signing and are still favorably looked upon today, did not meaningfully contribute to Jordan's growth.

Appendix A: Timeline of Events in U.S.-Jordan Trade Relationship



Appendix B: U.S. Apparel Imports by Top Trading Partners

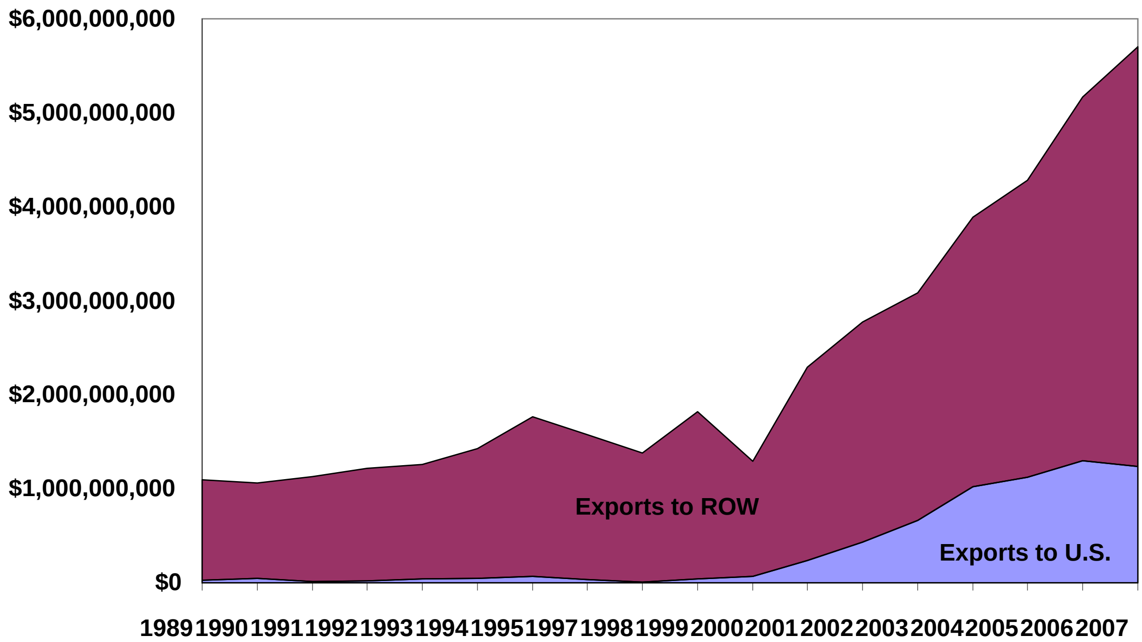
U.S. Imports of Textile Products and Apparel Top Trading Partners

Data consists of NAICS Codes 313, 314, 315. Values in U.S. $ millions

Country		2007	2006	2005	2006 – 2007 $ Change	2006 – 2007 % Change
Total Imports, All Countries		**101,959.8**	**99,196.8**	**95,571.6**	**2,763.0**	**2.8%**
Total Imports, Top 25 Countries		**91,405.5**	**87,670.9**	**82,909.0**	**3,734.5**	**4.3%**
Total Imports, Excluding China		**67,028.1**	**69,077.6**	**69,554.0**	**-2,049.5**	**-3.0%**
1	China	34,931.7	30,119.1	26,017.5	4,812.5	16.0%
2	Mexico	6,101.1	6,846.2	7,627.1	-745.1	-10.9%
3	India	5,564.8	5,532.5	5,131.1	32.2	0.6%
4	Vietnam	4,465.2	3,308.3	2,793.2	1,157.0	35.0%
5	Indonesia	4,191.6	3,882.7	3,069.5	308.9	8.0%
6	Pakistan	3,269.0	3,369.2	3,010.5	-100.2	-3.0%
7	Bangladesh	3,216.6	3,025.3	2,485.7	191.3	6.3%
8	Honduras	2,601.0	2,528.6	2,697.8	72.5	2.9%
9	Canada	2,568.7	2,870.8	3,115.3	-302.1	-10.5%
10	Italy	2,538.7	2,338.8	2,420.0	199.8	8.5%
11	Cambodia	2,436.3	2,151.2	1,727.4	285.0	13.3%
12	Hong Kong	2,117.7	2,907.3	3,643.1	-789.5	-27.2%
13	Thailand	2,079.6	2,150.7	2,151.3	-71.2	-3.3%
14	Philippines	1,794.6	2,074.0	1,911.1	-279.4	-13.5%
15	Sri Lanka	1,630.8	1,733.2	1,704.2	-102.4	-5.9%
16	El Salvador	1,504.9	1,432.4	1,644.7	72.5	5.1%
17	Guatemala	1,478.8	1,697.9	1,844.0	-219.2	-12.9%
18	Taiwan	1,429.1	1,576.9	1,737.7	-147.8	-9.4%
19	Korea, South	1,427.8	1,789.9	2,098.3	-362.2	-20.2%
20	Turkey	1,210.8	1,365.6	1,643.5	-154.8	-11.3%
21	**Jordan**	**1,146.3**	**1,253.9**	**1,083.0**	**-107.7**	**-8.6%**
22	Macao	1,028.2	1,163.5	1,199.8	-135.4	-11.6%
23	Nicaragua	968.6	880.1	716.5	88.5	10.1%
24	Egypt	868.6	806.0	613.3	62.6	7.8%
25	Peru	835.1	866.6	823.4	-31.5	-3.6%

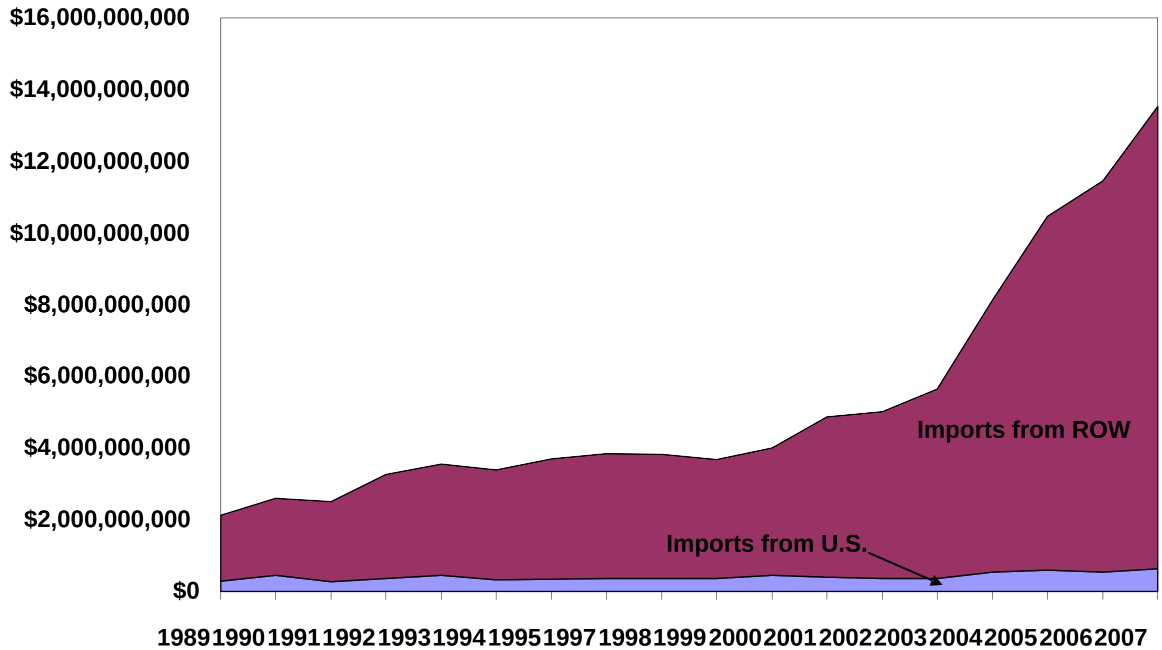
Source: U.S. Dept. of Commerce, Census Bureau, Foreign Trade Division

Appendix C: Composition of Jordanian Exports: United States vs. Rest of the World



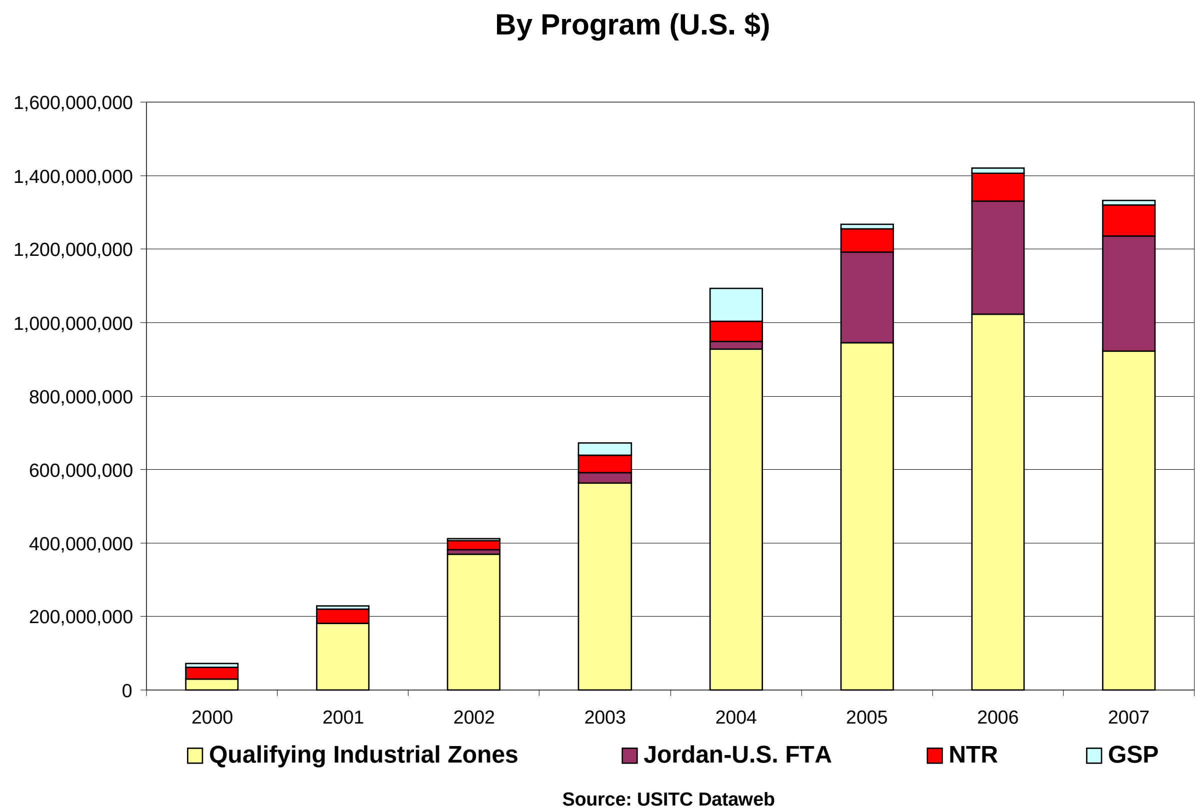
Source: UN Comtrade Database

Appendix D: Composition of Jordanian Imports: United States vs. Rest of the World

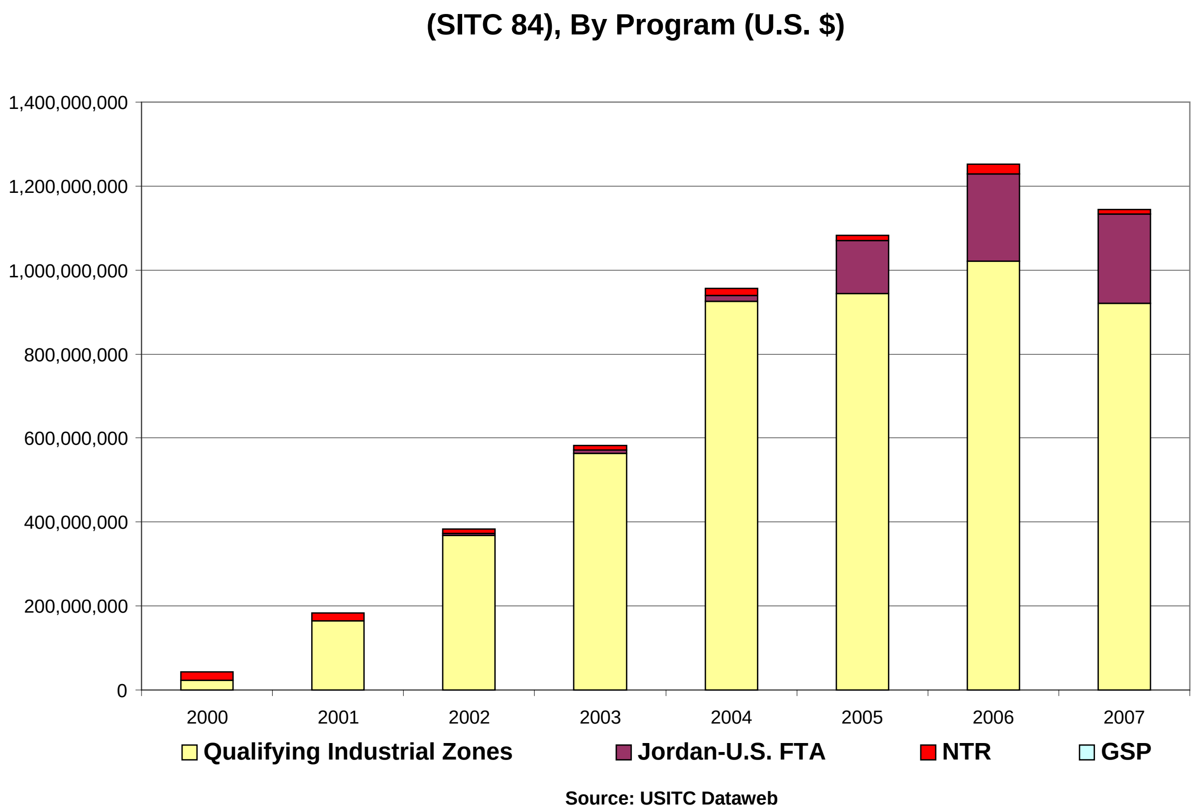


Source: UN Comtrade Database

Appendix E: Jordanian (Total) Exports to the U.S., By Agreement Classification



Appendix F: Jordanian Apparel Exports to the U.S., By Agreement Classification



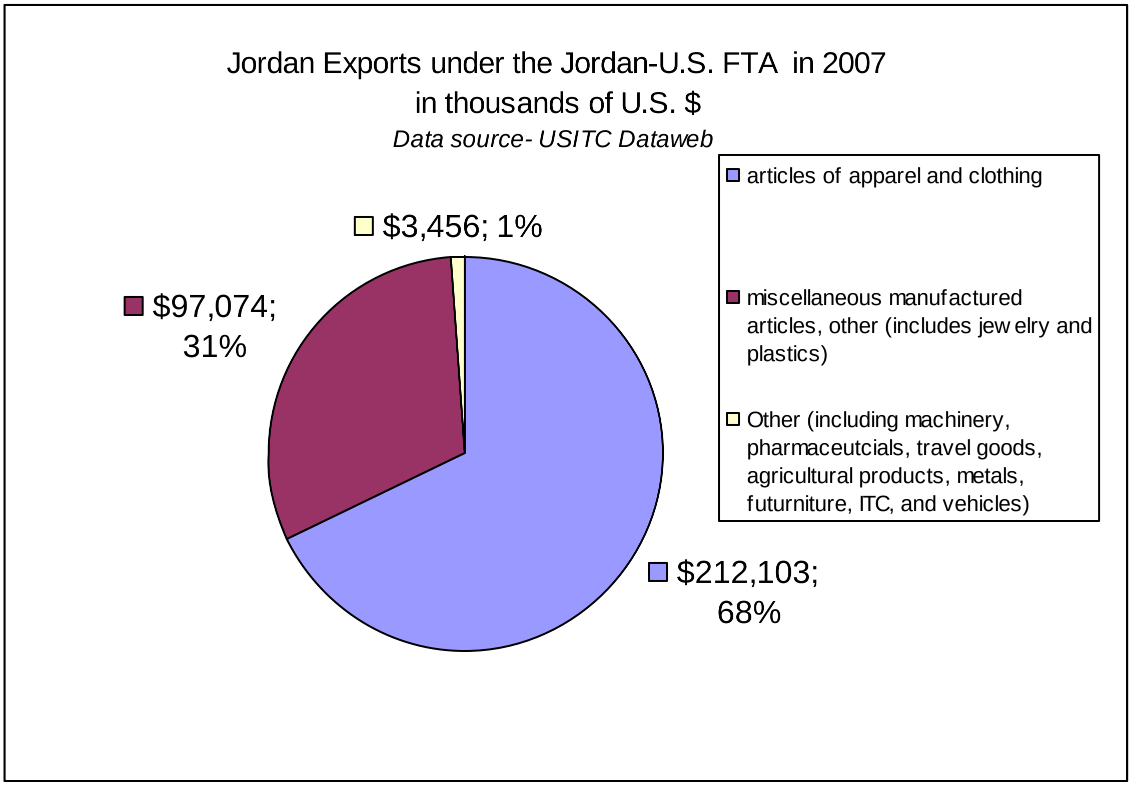
Appendix G: Jordanian Telecommunications Exports to MENA Region

	US$ 000s Value 2001	US$ 000s Value 2002	US$ 000s Value 2003	US$ 000s Value 2004	US$ 000s Value 2005	Increase 01-05	U.S. Special 301	
							Priority List	Watch List
Cyprus	3.59	2.90	4.17	87.40	330.14	**9098.6%**		
Yemen	-	0.03	0.49	0.39	0.87	**3107.4%**		
Pakistan	2.37	6.81	5.22	30.30	73.42	**2999.2%**		Yes
Algeria	0.08	0.05	0.25	1.04	-	**1182.7%**		
Egypt	2.34	1.26	1.68	9.09	-	**289.3%**	Yes	
Saudi Arabia	18.24	17.12	18.03	29.68	50.18	**175.2%**		Yes
Tunisia	29.87	35.54	44.24	48.80	72.03	**141.1%**		
Iran	6.28	4.07	13.88	6.47	10.59	**68.6%**		
Morocco	14.92	18.41	24.67	25.90	24.80	**66.2%**		
Turkey	117.75	86.67	100.72	110.68	107.22	**-8.9%**	Yes	
Bahrain	-	5.88	5.91	9.97	4.75	**-19.2%**		
Qatar	-	6.78	8.80	5.81	4.70	**-30.7%**		
Israel	3,260.25	2,394.88	2,241.81	2,714.07	2,152.06	**-34.0%**	Yes	
Lebanon	7.20	3.66	4.36	4.18	-	**-41.9%**	Yes	
Oman	18.91	31.79	41.87	31.44	8.87	**-53.1%**		

Only MENA countries with more than one year of data available included in table. If 2001-2005 data was not available, the "Increase 01-05" column above shows either a 2001-2004 increase percentage or a 2002-2005 increase percentage.

Data Source: UNCTAD/WTO Trade Database (http://www.intracen.org/tradstat/sitc3-3d/ep764.htm)
Special 301 Source: U.S. Trade Representative
(http://www.ustr.gov/Document_Library/Reports_Publications/2007/Section_Index.html)

Appendix H: Jordanian Exports under the JUSFTA in 2007



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[18] The website of the Jordanian Embassy in Washington, DC, has thus hailed the JUSFTA by stating that "The Agreement will help Jordan's economy to shift from a state of dependence on foreign aid to one of self-reliance and to prosper through increasing customs-free exports, attracting foreign investments and facilitating the transfer of technology." http://www.jordanecb.org/jordan_US_free.shtm

[19] From the U.S. perspective, the primary motivation to conclude the FTA was not based on economic grounds but rather its utility as a strategic "carrot" designed to reward Jordan and draw it closer to the U.S. orbit based on larger geopolitical considerations. "President Signs U.S.-Jordan Free Trade Agreement," White House, Statement by the President, September 24, 2001, http://www.whitehouse.gov/news/releases/2001/09/20010924-16.html; "President Signs U.S.-Jordan Free Trade Agreement," White House, Statement by the Press Secretary, September 28, 2001, http://www.whitehouse.gov/news/releases/2001/09/20010928-11.html Likewise, Prime Minister Ali Abu-al-Raghib said at the implementation ceremony of the JUSFTA that "Obviously, the ultimate goal is to improve the quality of life for Jordanians, and to present Jordan as a model of prosperity and stability in a region suffering from conflict and disparity." "Jordanian premier praises free trade agreement with USA at official launch," *Petra JNA News Agency*, December 23, 2001.

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[34] "A U.S.-Jordan Free Trade Agreement Would Have No Measurable Impact on U.S. Production or U.S. Employment, Says ITC," *International Trade Commission*, News Release 00-122, September 26, 2000, http://www.usitc.gov/er/nl2000/ER0926X1.HTM

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