

Issue Brief for Congress

Received through the CRS Web

Jordan: U.S. Relations and Bilateral Issues

Updated August 26, 2002

Alfred B. Prados
Foreign Affairs, Defense, and Trade Division

CONTENTS

SUMMARY

MOST RECENT DEVELOPMENTS

U.S.-Jordanian Relations and the Gulf Crisis

Jordanian Issues of U.S. Interest

- Stability of the Regime and Succession
- Experiments in Democratic Reform
- Reaction to Terrorist Attacks of September 11
- Jordan's Role in the Peace Negotiations
 - Peace Agreements
 - Implementation and Normalization
 - Further Arab-Israeli Negotiations
 - The West Bank and East Jerusalem
 - Hamas and Rejectionist Groups
- Enforcement of Sanctions Against Iraq
 - Course of Jordanian-Iraqi Relations
 - Commercial Ties
 - Relations with Other Regional States

U.S. Aid Issues

- Aid, Funding Levels, and Trade
 - Previous and Recent Aid
 - Middle East Peace and Stability Fund
 - FY2000 Assistance
 - FY2001 Assistance
 - FY2002 Assistance
 - FY2003 Assistance
 - Wye River Funds
 - Free Trade Agreement
- Debt Relief
- Armed Forces Modernization
 - Military Equipment
 - Further Requests
 - Military Cooperation

Alternatives and Implications

Jordan: U.S. Relations and Bilateral Issues

SUMMARY

The death of King Hussein on February 7, 1999, removed a strong U.S. ally and force for stability; however, most observers believe his son and successor, King Abdullah, will continue the late King's moderate and pro-western policies. In recent years, Jordan has taken significant steps toward building democratic life. Relatively free elections to the 80-member parliament were held in 1989 and 1993. Much of the opposition, including the fundamentalist Islamic Action Group (IAF), boycotted the 1997 elections over press restrictions and alleged attempts by the government to by-pass parliament. The IAF did participate in municipal elections in July 1999, and parliament has eased restrictions in laws affecting the press.

Several issues in U.S.-Jordanian relations are likely to figure in decisions by Congress and the Administration on future aid to and cooperation with Jordan. These include the stability of the Jordanian regime, democratic reform under way in Jordan, the role of Jordan in the Arab-Israeli peace process, Jordan's cooler but fluctuating relations with Iraq, and its relations with other regional states. King Abdullah expressed Jordan's "absolute condemnation" of the September 11 terrorist attacks on the United States and was the first Arab head of state to visit President Bush after the attacks. In December, Jordan sent military medical and mine clearing units to Afghanistan to support the U.S.-led campaign against terrorism.

Economic and military aid levels are important factors in the bilateral relationship. At the President's request, Congress appropriated a total of \$401 million in three separate appropriation bills, enacted between 1994 and 1996, to forgive Jordan's \$702.3 million debt

to the United States. On October 24, 2000, the two countries signed a free trade agreement. On July 26, 2001, the Senate Finance Committee and the House Ways and Means Committee approved bills (S. 643 and H.R. 2603) to implement the agreement. The House approved H.R. 2603 by voice vote on July 31, the Senate did likewise on September 24, and President Bush signed the bill as P.L. 107-43 on September 28.

In each of the four fiscal years 1998 through 2001, Jordan has received approximately \$225 million in annual U.S. assistance. The same amounts are contained in H.R. 2506, the Foreign Operations Appropriations bill for FY2002. H.R. 2506 was signed by the President as P.L. 107-115 on January 10, 2001. The Administration is seeking to double U.S. assistance to Jordan in FY2003 in view of Jordanian support to the anti-terrorism campaign. These increased amounts of aid for Jordan are contained in S. 2779, the Foreign Operations Appropriations bill for FY2003, reported by the Senate Appropriations Committee on July 24, 2002 (S.Rept. 107-219). The Administration is also seeking \$125 million for Jordan in FY2002 supplemental funding to help fund high-priority requirements resulting from Jordan's role in the U.S.-led campaign against terrorism.

Several alternative scenarios could develop in Jordan: a continuation of the current course toward democracy under the present regime; a return to a more autocratic political system; or fundamental changes in the character or configuration of the Jordanian state. Steady democratic growth under the present regime would probably offer the best prospects of supporting U.S. interests.



MOST RECENT DEVELOPMENTS

In its annual budget request, the Bush Administration is seeking to double U.S. aid to Jordan in FY2003, in view of Jordan's support for the U.S. campaign against terrorism. Increased amounts of economic and military aid for Jordan as requested by the Administration are contained in S. 2779, the Foreign Operations Appropriations bill for FY2003, reported by the Senate Appropriations Committee on July 24, 2002. Also, the Administration requested \$125 million for Jordan under FY2002 supplemental appropriations (\$100 million in budget support and \$25 million to finance equipment for border security and special operations forces). The conference report for the 2002 Supplemental Appropriations Act (H.R. 4775) did not specifically mention the requested economic and military assistance figures; however, it did contain funds to pay Jordan and other cooperating nations for logistical support to U.S. military operations in connection with the war on terrorism. President Bush signed H.R. 4775 as P.L. 107-206 on August 2.

Following press reports in early July that U.S. military planners are considering use of bases in Jordan to launch military operations against Iraq, Jordanian officials on July 8 and 9 denied that Jordan would be used as a launching pad for such operations. A U.S. official declined to discuss U.S. war planning.

U.S.-Jordanian Relations and the Gulf Crisis

Although the United States and Jordan have never been linked by a formal treaty, they have cooperated on a number of regional and international issues over the years. Several factors have contributed toward U.S. interest in Jordan. First, throughout much of its history, Jordan has been a pro-Western, modernizing country that has adopted moderate policies on most regional issues. Second, the country's stable political leadership and talented population have given Jordan considerable importance in the Middle East political scene. Third, Jordan has made significant contributions to regional stability and economic development in the Persian Gulf area; during the 1970s and 1980s, Jordan provided the small, oil-rich but newly independent Gulf states with military advisors, instructors, engineers, skilled workers, and technical specialists. Fourth, because of its large Palestinian population, its former role on the West Bank, and its extended border with Israel and the occupied territories, Jordan is pivotal in the search for a solution to the Arab-Israeli conflict.

U.S. support has helped Jordan deal with serious vulnerabilities, both internal and external. Jordan's small size and lack of major economic resources have made it dependent on aid from Western and friendly Arab sources. Jordan's geographic position, wedged between Israel, Syria, Iraq, and Saudi Arabia, has made it vulnerable to the strategic designs of its more powerful neighbors, but has also given Jordan an important role as a buffer between these potential adversaries. In 1990, Jordan's unwillingness to join the allied coalition against Iraq disrupted its relations with the United States and the Persian Gulf states; however, relations improved after Jordan joined the Arab-Israeli peace process in late 1991 and, somewhat later, began to distance itself from Iraq.

Jordanian Issues of U.S. Interest

Stability of the Regime and Succession

Throughout his 46-year reign, the late King Hussein was the dominant figure in the Jordanian political scene and enjoyed a high degree of legitimacy as head of a prestigious dynasty, the loyalty of the armed forces, and widespread respect as a strong and energetic leader with extensive experience in governing his country. On January 25, 1999, shortly before his death from cancer on February 7, King Hussein designated his eldest son Abdullah as Crown Prince and heir apparent. Upon succeeding to the throne on February 7, 1999, King Abdullah appointed his younger half brother, Prince Hamzah, as the new Crown Prince and heir apparent, in accordance with their late father's wishes.

The King, known as Abdullah II, attended secondary school in the United States and has studied at Oxford University and Georgetown University.

He also attended British military schools and has served in the Jordanian Army since 1984, most recently as Commander of the Special Operations Command. King Abdullah's wife, Queen Rania, comes from a prominent Palestinian family, a fact that may garner additional support from the Palestinian community. As a military officer who apparently did not expect to succeed to the throne, King Abdullah was not heavily involved in politics, economics, or foreign affairs, but had many contacts with military counterparts in Gulf states and other friendly countries, including the United States. Despite the gap left by the death of King Hussein, most observers agree that King Abdullah has been successful in consolidating his rule and has won respect for his hands-on style of governing. (For more background information, see CRS Report 98-703, *Jordan: Succession Issues*, by Alfred B. Prados.)

King Abdullah has been keenly interested in boosting Jordan's economy, which has been burdened by slow economic growth, declining per capita income, and high levels of unemployment (see box). The government has recently instituted reform measures, including reduced customs fees, laws protecting intellectual property, and removal of barriers to foreign investment, and on April 11, 2000, Jordan became the 136th member of the World Trade Organization (WTO). On April 15, 2002, Jordan's Foreign Minister said the government would impose "minimal" price increases on such staples as bread, barley, bran, fodder, and diesel, fuel oil, and kerosene in an effort to qualify for an International Monetary

Jordan in Brief

Population (July 2001): 5,153,378
 growth rate 3.0%
Area: 89,213 sq km (34,445 sq mi, slightly smaller than Indiana)
Ethnic Groups: Arabs 98%
 Circassians 1%
 Armenians 1%
Religion: Sunni Muslim 92%; Christian 6%; small Muslim sects 2%
Literacy (1995): 87% (male 93%, female 79%)
GDP (2001): \$8.7 billion; real growth 3.5-4.0%
Inflation (2001): 1.4%
Unemployment (2001): 13.2% (some unofficial estimates are twice as high)
Armed Forces (2001): personnel 100,240
 tanks 980
 combat aircraft 101
Trade Balance (2001): -\$2.6 billion
External Debt (2001): \$6.7 billion

Sources: U.S. Dept. of State; Central Bank of Jordan; other U.S. and Jordanian government departments.

Fund (IMF) program designed to reduce Jordan's chronic budget deficits. A 2% general sales tax was imposed on 87 items, mainly food products, on June 1, thus completing IMF-directed reforms aimed at increasing domestic revenue.

Experiments in Democratic Reform

Jordan is a constitutional monarchy with a bicameral legislature composed of an elected 80-member lower house and a 40-member appointed upper house. Starting in 1989, the late King supported a return to limited parliamentary democracy while periodically moving to curtail dissent when it threatened economic reforms or normalization of relations with Israel. Jordan held relatively free elections to the lower house of parliament in 1989 and 1993. In both elections the fundamentalist Islamic Action Front (IAF), which opposed the government on various issues, emerged as the largest single party, but the King was able to muster majorities for his domestic and foreign policies. Elections held in November 1997, however, were boycotted by the IAF and eight smaller nationalist parties, who complained that recent government decrees had stifled dissent and marginalized the role of parliament.

King Abdullah has taken further measures to open the political system within certain limits. Despite their boycott of the 1997 parliamentary elections, members of the IAF decided to participate in municipal elections held in July 1999 to choose 2,530 councillors for 304 municipalities. Although pro-government candidates won a majority of the seats, the IAF registered gains, particularly in several larger cities including the capital city of Amman. In mid-1999, the government proposed amendments to an unpopular press law that had banned 14 topics including criticism of the royal family or coverage of the armed forces. On September 6, 1999, Parliament went further and deleted the entire Article 37, which contained the restrictions. Journalists, however, can still be punished for various violations under other provisions of the penal code. Moreover on October 9, 2001, with parliament in recess, the government promulgated an amendment to the press law stipulating closure of publications that carry "false or libelous information that can undermine national unity or the country's reputation." It also bans articles that incite crimes, strikes, or threats to public order.

On June 16, 2001, King Abdullah dissolved parliament and approved a new electoral law on July 23. The new law lowers the voting age from 19 to 18, expands membership in the lower house of parliament from 80 to 104, and creates new safeguards against ballot fraud. The law retains a voting system that favors tribal East Bank constituencies over the largely Palestinian populated cities. In a speech on August 15, 2002, King Abdullah said that difficult regional circumstances had necessitated further postponements of elections but added that he expects they will take place in the spring of 2003.

Reaction to Terrorist Attacks of September 11

On September 12, King Abdullah wrote President Bush expressing Jordan's "absolute condemnation of terrorist aggression against your nation" and assured him that Jordan stands by the United States against the perpetrators. In an ABC interview, the King said Jordan is associated with an international network of intelligence organizations to combat terrorism. King Abdullah was the first Arab head of state to visit President Bush after the attacks, and at a joint press conference on September 28, he reiterated Jordan's "full, unequivocal support" for the United States. President Bush said "the cooperation of our friend, the

Jordanians, is strong and powerful.” Since then, Jordan has taken several steps to support the U.S. campaign against terrorism. In December, Jordan sent approximately 200 military medical personnel to Afghanistan to set up a 50-bed field hospital in the northern city of Mazar-i-Sharif. As of February 27, 2002, according the State Department, the Jordanian field hospital had treated 18,364 patients. Also in December, a small team of Jordanian Army engineers arrived in Afghanistan to help clear a key air base of anti-tank and anti-personnel mines. In addition, the State Department noted that Jordan has provided basing and overflight permission for all U.S. and coalition forces.

Over a year before the September attacks, in April 2000, Jordan had charged 28 persons (13 in absentia) allegedly linked to the exiled Saudi extremist Osama bin Laden with involvement in a plot to carry out terrorist acts in Jordan. Six of these were sentenced to death by a military court on September 18, 2000; 16 received varying prison terms (including two life terms); and six were acquitted. Defense lawyers appealed 10 of the convictions. One of those convicted in absentia was a U.S. citizen who was subsequently extradited by Syria to Jordan and is to be retried in accordance with Jordanian law. In later developments, a *Time* magazine article of November 18, 2001 reported that Jordan thwarted at least two attacks planned by agents linked to bin Laden earlier in the year. On June 3, 2002, the *Christian Science Monitor* reported that Jordanian authorities had recently arrested 11 suspected terrorists who were allegedly planning attacks on the U.S. and Israeli embassies in Jordan, along with other Israeli targets on the West Bank. The detainees are said to have ties to Osama bin Laden’s Al Qaeda organization.

Jordan’s Role in the Peace Negotiations

Peace Agreements. Jordanian-Israeli negotiations have constituted the most successful phase of the current Arab-Israeli peace process inaugurated during the George H. W. Bush Administration in late 1991. Negotiations gathered momentum in 1993, with the signature on September 13 by Jordanian and Israeli representatives of a “common agenda” for further negotiations with the stated goal of achieving a “just, lasting and comprehensive peace.” In 1994, Jordan and Israel reached two milestone agreements: a Declaration of Non-Belligerency signed in Washington on July 25, followed by a full-fledged peace treaty signed on October 26 at a ceremony on the Israeli-Jordanian border attended by President Clinton. The peace treaty provides for recognition by each party of the other’s sovereignty, borders, and political independence; demarcation of borders; full diplomatic relations; agreement on water sharing; and cooperation in economic, scientific, and cultural fields.

Implementation and Normalization. After the treaty was signed on October 26, 1994, the two countries exchanged ambassadors; Israel returned approximately 131 square miles of territory near the Rift Valley to Jordan; the Jordanian parliament repealed laws banning contacts with Israel; and the two countries signed a number of bilateral agreements between 1994 and 1996 to normalize economic and cultural links. Water sharing, a recurring problem, was partially resolved in May 1997 when the two countries reached an interim arrangement under which Israel began pumping 72,000 cubic meters of water to Jordan per day (equivalent to 26.3 million cubic meters per year—a little over half the target amount envisioned in an annex to the peace treaty).

An important vehicle for commercial cooperation has been the establishment of “Qualifying Industrial Zones” (QIZs), under which goods produced with specified levels of

Jordanian and Israeli input can enter the United States duty free, under the provisions of P.L. 104-234. (This act amended previous legislation so as to grant the President authority to extend the U.S.-Israel free trade area to cover products from QIZs between Israel and Jordan or between Israel and Egypt.) Since 1998, the United States has designated ten industrial parks in Jordan as QIZs. At least four of these are currently operational and, according to conservative estimates, have created 8,500 jobs and attracted \$85 million in foreign direct investment (some estimates are as high as 24,000 jobs and \$186 million).

King Abdullah's efforts to normalize relations with Israel have faced significant resistance within Jordan, particularly among Islamic fundamentalist groups, parts of the Palestinian community, and influential trade and professional organizations representing some 80,000-100,000 engineers, doctors, lawyers, journalists, and writers. Opponents of normalization have repeatedly called on Jordanians to boycott contacts with Israel, and activists among them have compiled two "black lists" of Jordanian individuals and companies that deal with Israel. In January 2001, Prime Minister Ali Abu Raghhab warned that such lists harm Jordan's investor-friendly image. Police subsequently arrested seven union leaders on charges of belonging to an illegal organization (apparently, a 24-member umbrella committee which had been in the forefront of the black list campaign). Among many mainstream Jordanians, there is some disappointment that peace with Israel has not brought more tangible economic benefits to them so far.

Further Arab-Israeli Negotiations. Like his father, King Abdullah has tried to help facilitate Israeli-Palestinian and Israeli-Syrian negotiations. Jordan, like Egypt, has resisted pressures from some Arab states to sever relations with Israel since the outbreak of Israeli-Palestinian clashes in September 2000, but the Jordanian government has deferred sending a new ambassador to Israel, because of what Jordan regards as an excessive Israeli response to the Palestinian uprising. On May 24, 2001, Jordan's official news agency announced that King Abdullah and visiting Palestinian leader Yasir Arafat supported the recommendations of a fact-finding team led by former U.S. Senator George Mitchell aimed at halting Israeli-Palestinian strife. At an Arab summit conference on March 27-28, 2002, Jordan backed a peace initiative by the Crown Prince of Saudi Arabia calling, among other things, for Israeli withdrawal from territories occupied since 1967, a "just solution to the Palestinian refugees," and establishment of normal relations between Arab states and Israel. According to the press, the Jordanian Prime Minister told attendees at the conference that this initiative "constitutes a corner-stone of a comprehensive peace in the region."

Jordanian officials expressed serious concerns over the escalation in Israeli-Palestinian tensions in March 2002, particularly after a series of Israeli incursions into Palestinian self-rule areas beginning on March 29. According to the Jordanian press, during the visit of Vice President Dick Cheney to Jordan on March 13, the King "reiterated the urgent need to overcome the current Palestinian-Israeli crisis, paving the way for resumption of negotiations..." During April, King Abdullah and other Jordanian officials urged the United States and the world community to press for Israel's withdrawal from the Palestinian self-rule areas and for termination of the siege imposed by Israeli forces on Arafat at his headquarters in the West Bank town of Ramallah. On May 8, during a visit to President Bush, King Abdullah asked for U.S. support in finding a road map "to bring Israelis and Palestinians the peace that they deserve." He added in a speech on May 13 that "[o]nly the United States has the political and moral authority to bring people together to take the risks that peace requires."

In a press release by the Jordanian Embassy in Washington, Jordan welcomed President Bush's speech of June 24 dealing with the Israeli-Palestinian conflict. The press release stated that "[t]he call for a Palestinian state as the outcome of the Palestinian right to freedom is a needed and welcomed development." The Jordanian statement did not mention President Bush's call for a new Palestinian leadership, and in an interview with a Kuwaiti newspaper on June 29, King Abdullah said that the future of Palestinian leader Yasir Arafat is an issue that "no party has the right to decide on except the Palestinian people." Earlier, however, in an interview published on June 21, the King expressed doubts that Arafat is still capable of controlling "Palestinian public sentiment and extremism."

The West Bank and East Jerusalem. The Jordanian-Israeli peace treaty does not address the status of the West Bank territory, which was annexed by Jordan in 1950 but occupied by Israel in 1967, nor does it address the status of East Jerusalem (except as noted below); both issues are subjects of Israeli-Palestinian rather than Israeli-Jordanian negotiations. Although King Hussein severed Jordanian ties with the West Bank in 1988, Jordan remains involved in Palestinian issues for several reasons: Jordan's large Palestinian population, its continuing involvement in supporting some West Bank institutions, the preference on the part of some Israeli leaders for a Jordanian role in a future Palestinian settlement, and Jordan's continued role in protecting and maintaining the Islamic holy places in East Jerusalem. Also, the Jordanian government provides humanitarian, educational, and social services to Palestinian refugees residing in refugee camps in Jordan, estimated by a Jordanian official at \$400 million in 2001.

Palestinian leaders have taken exception to Article 9 of the 1994 Israeli-Jordanian treaty, which states that Israel "respects the historical role of the Hashemite Kingdom [of Jordan] in the mosques of Jerusalem" and "will give high priority to the Jordanian historic role in these shrines." Palestinian leader Arafat has asserted that "sovereignty over Jerusalem and supervision of Jerusalem is for Palestinians." The late King Hussein has said that Jordan will continue its role in protecting and maintaining the Islamic holy places in Jerusalem to assure that there is no vacuum in Muslim control of these sites. On April 23, 2000, King Abdullah told Israeli television: "I believe that on the political level, Jerusalem has enough room for a Palestinian and an Israeli capital On the religious side, I believe that Jerusalem should be a city for all of us, an open city." He commented in an interview on April 11, 2001, that a solution to the Israeli-Palestinian conflict must give Palestinians hope they can have a state encompassing the West Bank and Gaza with East Jerusalem as its capital. In a speech to a Washington audience on May 13, 2002, King Abdullah said that under a peace deal that he envisions, "[t]he Jerusalem question would be answered, by providing for a shared open city to all faiths."

Hamas and Rejectionist Groups. According to the U.S. State Department's most recent annual report on patterns of global terrorism (April 2001), the Jordanian government has remained vigilant in opposing terrorism. On August 30, 1999, Jordanian security forces closed offices used by the fundamentalist Palestinian organization Hamas, which the late King Hussein had tolerated to some degree, on the grounds that the offices were registered as businesses but were conducting illegal political activity. In November 1999, authorities announced that the Hamas offices would be closed permanently. On October 9, 2001, after the terrorist attacks on the United States, the Jordanian government issued an amendment to terrorism laws banning any banking operations "linked to terrorism activities", along with banning border infiltration and attacks on industry, shipping, telecommunications, and

computer systems. On April 24, 2002, news articles reported that Jordan had arrested five members of an illegal Islamic fundamentalist organization known as *Tahrir* (Liberation), which has demanded that Jordan send troops to support Palestinians in the West Bank.

Enforcement of Sanctions Against Iraq

Course of Jordanian-Iraqi Relations. Jordan's earlier ties with Iraq, a major irritant in U.S.-Jordanian relations, have cooled considerably since the 1990-1991 Gulf crisis and its immediate aftermath. Since 1994, Jordan has tightened enforcement of U.N. economic sanctions against Iraq, allowed an Iraqi opposition group to establish an office in Jordan, and permitted a two-month deployment of U.S. fighter aircraft to Jordan in the spring of 1996 to train with Jordanian air crews and help enforce a no-fly zone over southern Iraq. Jordan has also criticized Iraqi government policies including Iraq's failure to observe the terms of U.N. Security Council resolutions. Nevertheless, long-standing economic ties and popular sympathy among many Jordanians for the Iraqi people have combined to prevent a complete rupture between the two countries, and there have been periodic warming trends in their bilateral relations.

Jordanian officials have voiced opposition to the use of force against Iraq, and suggested that lifting sanctions could alleviate suffering by the Iraqi people. In an interview of May 2, 2002, the King said that an attack on Iraq "would be catastrophic throughout the whole of the Middle East" at a time when emotions are already aroused over the crisis in the West Bank. In a press interview on July 31, King Abdullah expressed the view that it would be a "tremendous mistake" not to heed warnings from abroad against a military campaign in Iraq. Meeting with King Abdullah the following day, President Bush reiterated his commitment to regime change in Iraq; the President commented that "we're looking at all options, the use of all tools" to bring this about, and added that "one of the things we will do is consult with our friends." King Abdullah responded that "what I found from day one with the President is he understands the bigger picture and that at the end of the day, peace and stability for the Middle East has been at the forefront of his mind."

Following several press reports in early July that U.S. troops are preparing to conduct military operations against Iraq from bases or locations in Jordan, the Jordanian Minister of Information told reporters on July 8, 2002, that "we refuse to be a launching pad or arena for any act against our brotherly state Iraq or to use our soil and airspace to attain this objective." On July 9, *The New York Times* carried a similar report that U.S. military planners are considering Jordan as a staging area for air and commando raids on Iraq; however, the same article quoted the Jordanian Foreign Minister as telling reporters that "Jordan will not be used as a launching pad, and we do not have any U.S. forces in Jordan." A U.S. National Security Council spokesman said the Administration would not comment on war planning.

Commercial Ties. Jordan has continued to import oil from Iraq at discounted prices, pointing out to the U.N. Sanctions Committee that it has had no other source of affordable oil since the cessation of Saudi oil shipments in 1990. Sources quote somewhat varying figures, ranging from 70,000 to 80,000 bpd of crude oil and additional amounts of oil products (fuel oil, gas oil, lubrication oil), with maximum estimates of 96,000 bpd of crude oil and oil products combined. During a visit to Iraq by five Jordanian cabinet ministers on August 24, 2001, Jordan's Minister of Trade and Industry said work would begin soon on a 750-kilometer (450-mile) oil pipeline linking Iraq and Jordan. The pipeline, projected to

cost \$350 million, could provide an alternative to the currently costly and less efficient oil shipments by truck. Jordanian and Iraqi representatives reaffirmed their intention to start building the pipeline during a meeting in December.

On December 23, 2001, the two countries renewed an annual trade accord, under which Jordan will import approximately four million tons of crude oil and one million tons of oil products from Iraq during 2002. According to the Jordanian Minister of Energy, the pricing formula is figured on a base price of \$20 per barrel, with a discount of 40% for any increase in price over \$20 (presumably in the event that oil prices go up). In addition, there is a special discount for Jordan of \$3 per barrel, regardless of the current price of oil. Actual payments are reportedly made in commodities rather than cash, through shipments of humanitarian goods from Jordan to Iraq. Under the trade accord, Jordan will export an estimated \$260 million worth of commodities to Iraq during 2002, as compared with \$450 million in 2001. According to the Iraqi Trade Minister, this reduction is due to a decline in oil prices since mid-2001, inasmuch as the value of Jordanian exports to Iraq under the trade accord is linked to the price of oil. The Iraqi minister pointed out that the projected \$260 million in Jordanian exports could increase if oil prices should return to their earlier higher levels.

Since 1991, annual U.S. foreign assistance appropriations acts have contained restrictions on U.S. assistance to any country not in compliance with U.N. Security Council sanctions against Iraq. According to the State Department, the U.N. Sanctions Committee has "taken note of" Jordan's imports of Iraqi oil and its lack of economically viable alternatives. The U.S. Administration has issued annual waivers of the above restrictions on U.S. assistance to Jordan on grounds of national interest but continues to encourage Jordan to seek alternative energy sources. (See discussion of U.S. aid to Jordan, below.)

There are conflicting interpretations over whether U.N. Security Council Resolution 760 bans commercial air flights to Iraq, as the United States asserts, or whether it only requires verification that any cargo carried to or from Iraq contains no forbidden items. Since August 2000, more than ten countries including Jordan have sent flights to Iraq carrying humanitarian supplies as well as government officials and private sector representatives. On June 5, 2001, Jordan's Minister of Industry and Trade told reporters that Royal Jordanian Airlines will operate regular twice-weekly flights to Baghdad on Tuesdays and Fridays. Then on August 12, 2001, Jordan's Transport Minister said these flights would be increased to four per week starting in September. Meanwhile, on December 4, 2000, the Iraqi Foreign Minister said Jordan had agreed to return Iraqi airliners impounded in Jordan since the 1990-1991 Gulf war (reportedly four Boeing 727s and two 707s). Jordanian aviation sources were unaware of any decision to return the planes to Iraq and expressed doubt that Jordan has the necessary facilities to conduct needed repairs on the planes. According to a more recent report carried by the Iraqi News Agency on August 25, 2001, the Iraqi Minister of Transport asked his Jordanian counterpart to return the Iraqi planes; however, the latter reportedly has said such a decision would depend on a U.N. Security Council decision.

Relations with Other Regional States. Jordan's somewhat cooler relations with Iraq have led to a warming trend between Jordan and its former Gulf allies, who had been alienated by Jordan's tilt toward Iraq during the 1990-1991 Gulf crisis. An important milestone was Jordan's reconciliation with Saudi Arabia, culminating in a visit by King Hussein to Saudi King Fahd on August 12, 1996. According to Jordanian officials, Saudi

Arabia is willing to resume oil shipments (which amounted to 40,000 barrels per day before being cut off in 1990), but at market prices, which would be significantly higher than discounted prices charged by Iraq. Jordan has reestablished good relations with other Gulf states, including most recently Kuwait, which agreed to the reopening of the Jordanian Embassy on March 3, 1999 and to the return of a resident Jordanian Ambassador on August 30, followed with a visit to the Emir of Kuwait by King Abdullah on September 6-7. A subsequent visit by King Abdullah to Kuwait on May 22, 2001 led to revival of several Jordanian-Kuwaiti economic accords suspended since 1990.

Another reconciliation took place with Syria, which was frequently at odds with Jordan in the past. In 1999, the two countries agreed to build a joint dam on the Yarmouk River. Syria undertook to give Jordan eight million cubic meters of water on a one-time basis to ease a water shortage in the summer of 1999, followed by 3.5 million cubic meters of water during the summer of 2000, and additional water again during July and August of 2001. On August 20, 2002, Syrian President Bashar al-Asad promised the visiting Jordanian Prime Minister that Syria would provide additional unspecified quantities of water to help Jordan weather the current dry season.

U.S. Aid Issues

Aid, Funding Levels, and Trade

Previous and Recent Aid. The United States has provided economic and military aid, respectively to Jordan since 1951 and 1957. Total U.S. aid to Jordan through 1997 is approximately \$3.9 billion, including \$2.1 billion in economic aid and \$1.8 billion in military aid. Levels of aid have fluctuated, increasing in response to threats faced by Jordan and decreasing during periods of political differences or worldwide curbs on aid funding.

U.S. aid to Jordan since 1990 reflects actions taken by the Administration and Congress during the Persian Gulf crisis of 1990-1991 and subsequent developments in the Arab-Israeli peace process. Because of Jordanian sympathy for Iraq during the Gulf crisis, Congress suspended FY1991 aid to Jordan in April 1991 (Section 502, P.L. 102-27). President Bush exercised waiver authority later in 1991, but the Administration agreed with Congress to maintain an informal hold on FY1991 and FY1992 funds for Jordan (except for food and military training) until 1993. The FY1993 aid appropriation acts required the President to certify that aid to Jordan was in U.S. national interest (FY1993), that Jordan supported the Arab-Israeli peace process (FY1993), and that Jordan was in compliance with U.N. sanctions against Iraq, and special congressional notification requirements applied to expenditure of aid funds for Jordan in FY1994. President Clinton issued the requisite waivers to permit release of funds for these fiscal years. Stipulations on aid to Jordan in annual appropriations were removed after Jordan signed a peace treaty with Israel and distanced itself from Iraq. (As explained above, annual appropriations acts continue to place restrictions on U.S. assistance to any country not in compliance with U.N. sanctions against Iraq, with provision for a presidential waiver on grounds of U.S. national interest.) **Table 2** on the last page shows annual aid figures for Jordan, together with pertinent presidential waivers, since 1990.

Middle East Peace and Stability Fund. As part of a 5-year “Middle East Peace and Stability Fund” announced by the Clinton Administration in June 1997, Egypt and Israel agreed to the diversion of \$50 million from each of their respective aid programs in FY1997 and again in FY1998 to augment economic aid funds available to Jordan. These two diversions brought U.S. economic aid for Jordan to \$112 million in FY1997 and \$150 million in FY1998, and total U.S. aid for Jordan to \$152 million and \$228 million in FY1997 and FY1998, respectively. (See **Table 2.**) Funds were not diverted from the Egyptian or Israeli programs in FY1999; however, according to the State Department, both Egypt and Israel fully supported continued economic aid to Jordan at the \$150 million level, and both countries have agreed to some phased reductions in their own economic aid programs. In FY1999, Jordan received \$150 million in economic support funds, \$45 million in foreign military financing, and \$25 million in drawdown authority from U.S. military stocks.

FY2000 Assistance. The Administration requested \$150 million in economic assistance, \$75 million in foreign military financing, and \$1.6 million in international military education and training for Jordan in FY2000. S. 1234, the foreign operations appropriation bill, contained \$150 million in economic assistance and \$75 million in military assistance for Jordan in FY2000. The Senate passed S. 1234 by 97 to 2 (roll call #192) on June 30, 1999. The House version of the foreign operations appropriation bill (H.R. 2606) did not contain earmarks for Jordan, but in its report language (H.Rept. 106-254, July 23, 1999), the House Appropriations Committee recommended the same amounts that appeared in the Senate bill. The House passed H.R. 2606 on August 3, 1999, by 385-35 (roll call #362). The conference report included the earmarks contained in the Senate bill. On October 18, President Clinton vetoed H.R. 2606 (see below); however, successor bills (H.R. 3196 and H.R. 3422) contained these funds for Jordan. On November 29, President Clinton signed H.R. 3194, the Consolidated Appropriations Act for FY2000 (P.L. 106-113), which passed H.R. 3422 by reference.

FY2001 Assistance. The President included the following amounts for Jordan in his FY2001 budget request: \$150 million in economic support funds (ESF), \$75 million in foreign military financing (FMF), and \$1.7 million in international military education and training (IMET). The same ESF and FMF amounts for Jordan were included in S. 2522, the Foreign Operations Appropriation bill for FY2001, which was reported by the Senate Committee on Appropriations on May 9, 2000. The Senate passed a companion bill, H.R. 4811, on July 18 by unanimous consent, after substituting the text of S. 2522. Meanwhile, on July 13, the House passed another version of H.R. 4811, which did not contain earmarks for Jordan, by 239-185 (Roll No. 400); however, in accompanying report language (H.Rept. 106-720, July 10, 2000), the Committee on Appropriations recommended the same amounts contained in the Senate bill for Jordan. The conference report (H.Rept. 106-997, October 25, 2000), which contained the Senate earmarks for Jordan, was passed by both houses on October 25 and signed into law by the President as P.L. 106-429 on November 6, 2000.

On November 14, 2000, President Clinton submitted a request to Congress for supplemental aid to address emergency needs for several Middle Eastern countries. For Jordan, he requested \$50 million in ESF to help compensate for lost tourism and higher oil prices and \$25 million in FMF to promote border security and military modernization. These funds apparently are in addition to amounts specified in P.L. 106-429, above. The 106th Congress did not act on this supplemental request.

FY2002 Assistance. The Bush Administration requested \$150 million in ESF and \$75 million in FMF, as well as \$1.8 million in IMET for Jordan in FY2002. The House version of the Foreign Operations Appropriations bill for FY2002, H.R. 2506, did not contain specific allocations for Jordan; however, in report language (H.Rept. 107-142, July 17, 2001) the House Appropriations Committee expressed “its continued strong support for Jordan’s constructive and critical role in the region” and recommended the same levels of ESF and FMF contained in the President’s budget request. The House passed H.R. 2506 on July 24, 2001, by 381 to 46 (Roll no. 266). The Senate version, passed on October 24, 2001, by 96 to 2 (Record Vote No. 312), did contain the amounts requested by the President for Jordan. The conference report (H.Rept. 107-345, December 19, 2001) included the amounts contained in the Senate version (\$150 million in ESF and \$75 million in FMF). The House agreed to the conference report by 357-66 (Roll no. 505) on December 19 and the Senate agreed to the report by unanimous consent on December 20.

As part of its campaign against terrorism in the aftermath of the September 11 attacks, the Bush Administration has requested supplemental funding in FY2002 for a number of countries that are playing a role in supporting the U.S. effort. Under supplemental funds proposed by the Administration, Jordan would receive an additional \$125 million in U.S. assistance, consisting of \$100 million in budget support and \$25 million to finance equipment for border security and special operations forces. Respective versions of a supplemental bill (H.R. 4775) passed by the House on May 24 and the Senate on June 7 did not specifically earmark these funds for Jordan; however, both bills provided a \$420 million fund for payments to Jordan, Pakistan, and other cooperating nations for logistical support provided to U.S. military operations in connection with the war on terrorism. The conference report changed this figure to \$390 million (H.Rept. 107-593, July 19, 2002.) The President signed H.R. 4775 as P.L. 107-206 on August 2, 2002.

FY2003 Assistance. The Bush Administration is seeking to double U.S. aid to Jordan in FY2003, in view of Jordanian support to the campaign against terrorism. The Administration’s budget request contains a total of \$448 million for Jordan in FY2003, including \$250 million in economic assistance and \$198 million in military assistance. A spokesman for the Office of Management and Budget was quoted as saying the increased aid will be used to improve border controls and interdiction of illegal weapons flow, to support financial training, trade, and investment, and to strengthen educational opportunities. These amounts are contained in S. 2779, the Foreign Operations Appropriations bill for FY2003, reported by the Senate Appropriations Committee on July 24, 2002 (S.Rept. 107-219). In the report, the Committee “notes with appreciation Jordan’s constructive role in the peace process and efforts to implement economic reforms.”

Wye River Funds. In addition to these annual aid funds, at the request of the Clinton Administration, Jordan received \$300 million as part of a special package to support the Wye River agreement, a U.S.-sponsored Israeli-Palestinian agreement that the late King Hussein had helped negotiate in 1998. Of the \$300 million in Wye River funds provided to Jordan, \$100 million (\$50 million in ESF and \$50 million in FMF) were included in a supplementary appropriations bill for FY1999 (P.L. 106-31, May 21, 1999). The remaining \$200 million (\$50 million in ESF and \$150 million in FMF) were included in H.R. 3422, the Foreign Operations Appropriations bill for FY2000, which was passed by reference in the Consolidated Appropriations Act for FY2000 (P.L. 106-113, November 29, 1999). (See Table 2.)

Free Trade Agreement. On October 24, 2000, President Clinton and King Abdullah witnessed the signing of a U.S.-Jordanian Free Trade Agreement, which will eliminate duties and commercial barriers to bilateral trade in goods and services originating in the two countries. Earlier, in a report released on September 26, the U.S. International Trade Commission concluded that a U.S.-Jordan Free Trade Agreement would have no measurable impact on total U.S. imports or exports, U.S. production, or U.S. employment. Under the agreement, the two countries agreed to enforce existing laws concerning worker rights and environmental protection. On January 6, 2001, then President Clinton transmitted to the 107th Congress a proposal to implement the Free Trade Agreement. On July 23, U.S. Trade Representative Zoellick and Jordanian Ambassador Marwan Muashir exchanged letters pledging that the two sides would “make every effort” to resolve disputes without recourse to sanctions and other formal procedures. These letters were designed to allay concerns on the part of some Republican Members over the possible use of sanctions to enforce labor and environmental provisions of the treaty.

Meanwhile, similar bills were introduced in both houses of Congress to implement the U.S.-Jordanian FTA: S. 643 (Baucus, introduced on March 28, 2001), H.R. 1484 (Levin, introduced on April 4, 2001), and H.R. 2603 (Thomas, introduced on July 24, 2001). On July 26, the Senate Finance Committee and the House Ways and Means Committee approved S. 643 and H.R. 2603, respectively, by voice votes. On July 31, the House passed H.R. 2603 by voice vote, and the Senate passed the bill by voice vote on September 24. President Bush signed the bill as P.L. 107-43 on September 28, during King Abdullah’s visit to Washington. For additional information, see CRS Report RL30652, *U.S.-Jordan Free Trade Agreement*.

Debt Relief

In 1994, in recognition of Jordan’s support for Middle East peacemaking, President Clinton asked Congress to pass the necessary legislation to forgive Jordan’s \$702.3 million debt to the United States (approximately 10% of Jordan’s worldwide debt). Congress has appropriated a total of \$401 million in subsidies, which under pertinent budgetary procedures are sufficient to forgive the entire \$702.3 million owed to the United States. The \$401 million in subsidies were contained in three appropriations bills beginning in 1994, as shown in **Table 1** below. Not covered under the previous debt forgiveness package are certain loan guarantees, Commodity Credit Corporation loans, and other special categories estimated at \$389 million at the end of 1998. (The Central Bank of Jordan carries a slightly higher figure of \$396.1 million as of 2001.) In seeking U.S. debt forgiveness, Jordanian officials hoped to obtain a three-fold benefit: to foster popular support for peace with Israel by creating a climate favorable for foreign investment with accompanying economic benefits; to demonstrate the credibility of U.S. commitments to domestic and regional opponents of the peace process; and to encourage Jordan’s other international creditors to follow suit in providing debt relief.

Table 1. U.S. Debt Forgiveness for Jordan
(\$ in millions)

Act	Fiscal Year Funds	Amount of Subsidy	Approximate Amount Forgiven
P.L. 103-306	1994	99	220
P.L. 104-19	1995	275	419
P.L. 104-208	1997-1998	27*	63

Subsidy split as follows: \$15 million in FY1997 funds, \$12 million in FY1998 funds.

Though willing to ease payment terms, Jordan's creditors (other than the United States) have been largely unwilling to forgive debts, and Jordan's total indebtedness changed little between 2000 (\$6.76 billion) and 2001 (\$6.69 billion). (These figures do not include certain types of bonds and undisbursed loans.) Among major creditors, Jordan owes \$1.56 billion to Japan, \$1.0 billion to the World Bank, and \$2.01 billion to three major European countries: Germany, France, and Britain. Jordan did succeed in easing repayment pressures by rescheduling \$400 million of its debt to Paris Club creditors in 1997 and another \$800 million in 1999; as of early 2002, Jordan was seeking to restructure \$3.8 billion in external debt. Earlier, on April 4, 2000, Jordan signed a \$123 million aid agreement with the European Union, of which about two thirds was to be used to alleviate poverty in Jordan's burgeoning cities and shanty towns.

Armed Forces Modernization

Military Equipment. The United States is also helping Jordan modernize its armed forces, which have been the traditional mainstay of the regime. The Jordanian military forces, though well trained and disciplined, are outnumbered and outgunned by each of Jordan's neighboring forces. In 1996, under Section 572, P.L. 104-107 (the FY1996 Foreign Operations Appropriations Act), Congress approved a drawdown of \$100 million, mainly in ground force equipment from U.S. stocks (including 50 M60A3 tanks), to enhance Jordan's ability to maintain border security and implement terms of the peace treaty with Israel. Most of this equipment was delivered in December 1996. In addition, during 1996, the United States agreed to lease 16 refurbished F-16 fighter aircraft to Jordan at a cost of approximately \$220 million (most of which represents the cost of upgrading the aircraft), with title passing to Jordan after five years. Deliveries of the aircraft were completed in early 1998. The aircraft transfer was funded through a combination of foreign military financing (FMF) allocations to Jordan over a four-year period (\$150 million), plus \$70 million in additional FMF funds contained in the FY1996 omnibus continuing appropriations bill (P.L. 104-134). (For more information, see CRS Report 96-309, *Jordan: U.S. Military Assistance and Cooperation*.)

Further Requests. In his request for supplemental funding for Jordan and other Middle East countries in FY2001, President Clinton noted that the military assistance portion of the package would be used to upgrade armored personnel carriers, air defense radar, and other systems in Jordanian Armed Forces inventories. Jordanian Armed Forces leaders are hoping ultimately continue modernizing their tank fleet and to obtain three or four more

squadrons of F-16 fighters (70-80 planes), enabling them to replace older model French Mirage F-1 and U.S. F-5 fighters. Under a March 1999 agreement, Jordan is receiving a total of 288 Challenger-1 tanks (which mount a 120-mm gun) from Britain.

Military Cooperation. A U.S.-Jordanian Joint Military Commission has functioned since 1974. Combined training exercises by U.S. and Jordanian military units continue to take place in Jordan, at least on an annual basis and sometimes more often. These have included fairly large scale training activities involving special forces, air defense, communications, fighter aircraft, and other military units, together with an annual month-long exercise with U.S. Navy and Marine units called "Infinite Moonlight." In mid-1996, U.S. fighter aircraft deployed to Jordan to conduct combined training with Jordanian crews and to assist in enforcing a no-fly zone over southern Iraq imposed by the United States and its allies in 1992. (Jordanian pilots and aircraft did not actually participate in overflights of Iraq, and U.S. aircraft overflying Iraq approached indirectly through the airspace of a third country.) Jordan has been active in supporting peacekeeping operations, notably in East Timor, Sierra Leone, Kosovo, and, most recently, Afghanistan.

Under the provisions of Section 517 of the Foreign Assistance Act of 1961 as amended, President Clinton designated Jordan as a major non-NATO ally of the United States, effective on November 13, 1996. According to a State Department spokesman, this status "makes Jordan eligible for priority consideration for transfer of excess defense articles, the use of already appropriated military assistance funds for procurement through commercial leases, the stockpiling of U.S. military material, and the purchase of depleted uranium munitions."

Alternatives and Implications

In the aftermath of the Gulf war and the peace treaty with Israel, several alternative scenarios could develop in Jordan. The first would be continued movement toward democracy under the present regime. There is much evidence that the late King favored this course, and some speculate that his U.S. and British trained successor will do likewise. The political experience since the parliamentary elections of 1989 and 1993 has been generally positive, although the 1997 elections were marred by a boycott by much of the opposition. During his reign, King Hussein succeeded in opening the political system to a wide spectrum of Jordanian opinion while restraining extreme steps by the religious right or the nationalist left. Externally, Jordan has survived major diplomatic isolation and economic loss brought on by the Gulf crisis, and conditions have improved on both fronts. The process of normalizing relations with Israel and fluctuating relations with Iraq will continue to confront the King with sensitive decisions, in seeking to accommodate opposition groups within the Jordanian political system.

Under a second scenario, Jordan might return to a more restrictive political system. In addition to his commitment to fostering democracy, the late King was long dedicated to preserving the basic integrity and institutional character of the state that his grandfather built. On at least two occasions — when threatened by a radical nationalist coup d'état in 1957 and by a potential takeover of the country by armed Palestinian guerrillas in 1970 — the late King, backed by the armed forces, moved decisively to reestablish order at the expense of democratic experiments previously under way. It is arguable that the country's institutions

today are stronger, more durable, and more able to absorb political pressures than they were in 1957 or 1970 and that the current situation is far less threatening. On the other hand, the combination of domestic economic hardships, an uncertain peace process opposed by many Jordanians, and a strong and aggressive Islamist movement could create new challenges that the new King might feel compelled to preempt through returning to a more autocratic system of government.

A third scenario would involve a fundamental change in the character of the Jordanian state. This could come about in a number of ways: emergence of a strongly Islamist government that would exclude other groups from participation in national political life; a close alliance with a neighboring patron (Iraq or Syria) that would exert control over Jordanian policies; disappearance of the monarchy; or replacement of the present Jordanian state with a Palestinian entity. These developments, though not likely in the short term, could become more plausible if the country's governmental, economic, and military institutions should suffer serious erosion. Radical changes in the character or configuration of Jordan would be of concern to U.S. policy makers. Almost any successor to the Jordanian state as it is now constituted would present the United States and its allies with a less stable and more threatening regional environment.

Table 2. Annual U.S. Aid to Jordan since the Gulf Crisis
(\$ in millions)

Fiscal Year (FY)	Economic Assistance				Military Assistance		Totals
	EconSpt	Food	Devel	PeaceCp	FMF*	IMET**	
1991	35.0 ^a	0	0	0	20.0 ^a	1.3	56.30
1992	30.0 ^b	20.0	0	0	20.0 ^b	.6	70.60
1993 ^c	5.0	30.0	0	0	9.0	.5	44.50
1994 ^d	9.0	15.0	4.0	0	9.0	.8	37.80
1995	7.2	15.0	6.7	0	7.3	1.0	37.20
1996	7.2	21.0	7.9	0	200.0 ^e	1.2	237.30
1997 ^f	112.2	2.6	4.5	1.1	30.0	1.7	152.10
1998 ^f	150.0	0	0	1.2	75.0 ^g	1.6	227.80
1999	150.0	0	0	1.4	70.0 ^g	1.6	223.00
1999 (Wye)	50.0	0	0	0	50.0	0	100.00
2000	150.0	0	0	1.7	75.0	1.6	228.30
2000 (Wye)	50.0	0	0	0	150.0	0	200.00 ^h
2001	150.0	0	0	1.7	75.0	1.7	228.40
2002	150.0	0	0	1.4	75.0	1.8	228.20
2003 ⁱ	250.0	0	0	***	198.0	***	448.00

*Foreign Military Financing

**International Military Education and Training Program

***To be determined

- a. Suspended in April 1991 under P.L. 102-27; released in early 1993.
- b. Released in late July 1993.
- c. Restrictions on FY1993 funds waived by Presidential Determination (PD) 93-39, Sept. 17, 1993.
- d. FY1994 funds released by PD 94-11, Jan. 13, 1994, waiving restrictions under P.L. 103-87.
- e. Three components: \$30 million (Administration's original request); \$70 million in additional FMF under FY1996 appropriation (P.L. 104-134) to cover balance of F-16 aircraft package; and \$100 million in special drawdown authority (P.L. 104-107).
- f. These figures include \$100 million in economic assistance under the President's Middle East Peace and Stability Fund (\$100 million in FY1997, \$116 million in FY1998).
- g. For each of these two years, FMF figure includes \$25 million in drawdown authority.
- h. Some of these funds to be obligated in later years (FY2001 or 2002).
- i. Administration's request for FY2003.

Note: These figures do not include debt relief subsidy appropriations listed in Table 1 or small amounts for de-mining assistance. Nor do they include supplemental funding requested by the Clinton Administration in FY2001 (never acted upon by Congress) or supplemental funding requested by the Bush Administration in FY2002.