



Jordan: Background and U.S. Relations

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May 3, 2012

Congressional Research Service

7-5700

www.crs.gov

RL33546

Summary

This report provides an overview of Jordanian politics and current issues in U.S.-Jordanian relations. It provides a brief discussion of Jordan's government and economy and of its cooperation in promoting Arab-Israeli peace and other U.S. policy objectives in the Middle East.

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 (particularly in light of ongoing political change and/or unrest in several other countries in the region), the role of Jordan in the Arab-Israeli peace process, the possibility of U.S.-Jordanian nuclear energy cooperation, and U.S.-Jordanian military and intelligence cooperation.

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. The country's small size and lack of major economic resources have made it dependent on aid from Western and friendly Arab sources. U.S. support, in particular, has helped Jordan address serious vulnerabilities, both internal and external. 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 throughout the 1990s as Jordan played an increasing role in the Arab-Israeli peace process and distanced itself from Saddam Hussein's Iraq.

The United States has provided economic and military aid, respectively, to Jordan since 1951 and 1957. Total U.S. aid to Jordan through FY2012 amounted to approximately \$13.1 billion. 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. On September 22, 2008, the U.S. and Jordanian governments reached an agreement whereby the United States agreed to provide a total of \$660 million in annual foreign assistance to Jordan over a five-year period. The President's FY2013 request includes \$360 million in ESF, \$300 million in FMF, and \$3.7 million in International Military Education and Training (IMET).

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Overview

Throughout the past year of unrest in the Arab world, the Hashemite Kingdom of Jordan has remained stable, though there have been numerous small-scale demonstrations in the capital, Amman, and in smaller towns usually considered strongholds of the Hashemite royal family. Popular discontent is widespread in Jordan over the moribund economy, unemployment, corruption, and inequality—the same grievances that sparked revolutions in Tunisia, Egypt, Yemen, and Libya and have contributed to unrest elsewhere in the region. Yet, to date, Jordan’s monarchy and its allies have outmaneuvered a divided opposition by steering the reform agenda toward controlled liberalization that gives an appearance of democratization without substantively diminishing the king’s power. Furthermore, though many poorer Jordanians, particularly in the south, are dissatisfied with their economic prospects, they—like many other political communities (East Bank elite, Jordanians of Palestinian origin who dominate the private sector, urban liberals, and even some Islamists)—continue to view the monarchy as a unifying force, and they collectively fear its downfall. After witnessing nearly 10 years of violence in neighboring Iraq and a year of fighting in neighboring Syria, Jordanians seem willing for the time being to sacrifice certain political freedoms in exchange for the security afforded them by the monarchy, security services, and business elite.

In its policy approach, the United States continues to balance its support for the monarchy with encouragement of reform. The Obama Administration is seeking \$663.7 million in total aid to Jordan for FY2013, a continuation of a multi-year executive agreement signed in 2008. Saudi Arabia provided Jordan \$1.4 billion in grants in 2011 to stabilize the budget and prevent deficit spending.

Latest Developments

- **Prime Minister Resigns.** On April 26, Jordan's Prime Minister Awn al Khaswaneh resigned, reportedly to protest the slow pace of political reform. Khaswaneh had engaged with the Jordanian Muslim Brotherhood (which draws growing support from Jordanians of Palestinian origin) in order to secure their wider participation in the political system. However, in recent weeks, perhaps in an attempt to reassure the monarchy’s political base of support among East Bank Jordanians, the government took several steps to limit Islamist participation in politics. It has proposed electoral legislation that would limit official party representation. The king appointed former prime minister Fayez Tarawneh to succeed Khaswaneh. Tarawneh was prime minister from August 1998 to March 1999 and later chief of the royal court.
- **Gas Imports from Egypt Cease.** In April 2012, after the 14th attack on pipelines carrying natural gas from Egypt to Israel and Jordan, Egyptian natural gas exports to Jordan were temporarily shut down. Earlier in the month, Egypt canceled its contract with Israel to supply natural gas. For Jordan, Egyptian gas covers 80% of electricity production demand. Gas supplies from Egypt plunged from 300 million cubic meters a day in 2009 to 78 million cubic meters in 2011, and buying natural gas on the open market is expected to cost Jordan \$2.1 billion

- according to official statements. In 2011, Jordan's energy imports were estimated at \$4 billion and are expected to increase this year to \$5 billion.¹
- **Syria.** According to the United Nations High Commissioner for Refugees (UNHCR), there are 15,999 registered Syrian refugees in Jordan as of April 27. After absorbing several hundred thousand refugees from neighboring Iraq during the sectarian war there, the Jordanian government has denounced the Asad regime and has supported the Arab League's transition plan that calls for a transfer of power, unity government, and elections. Syrians may enter Jordan without a visa, though military defectors are placed under detention. The *Wall Street Journal* recently reported that U.S. and Jordanian military officials were considering contingency plans for the securing of known chemical weapons depots inside Syria should the Asad regime fall. According to the report, one option calls for Jordanian Special Operations units to go into Syria to secure nearly a dozen sites thought to contain weapons.²
 - **Jordan and the Peace Process.** In January 2012, Jordan hosted talks between Israeli and Palestinian negotiators aimed at restarting peace negotiations. The meeting was hosted by the foreign minister of Jordan, Nassar Judeh, and attended by chief Palestine Liberation Organization (PLO) negotiator Saeb Erekat and Israeli envoy Yitzhak Molcho. The talks had been called for by the Quartet for Middle East Peace (comprising the United States, EU, Russia, and the UN secretary-general). Overall, the talks produced little substantive progress and were largely considered to be a goodwill gesture by the Israelis and Palestinians to their Jordanian hosts rather than a serious attempt to resume negotiations.
 - **Economy and Budget.** For 2012, Jordan's budget deficit is anticipated to reach \$1.5 billion, mainly due to higher energy prices. Jordan imports almost all of its domestic energy and subsidizes the costs of some fuels for consumers, costing the treasury several billion dollars annually. As previously mentioned, Saudi Arabia provided Jordan with a \$1.4 billion cash grant in 2011, which erased its budget deficit that year. This year, Jordan may have to rely on more modest cash grants from the international community in addition to domestic borrowing to finance its deficit. Overall, the IMF forecasts modest economic growth of 2.75% in 2012, though inflation may average 5.5% this year due to soaring energy costs.

Country Overview

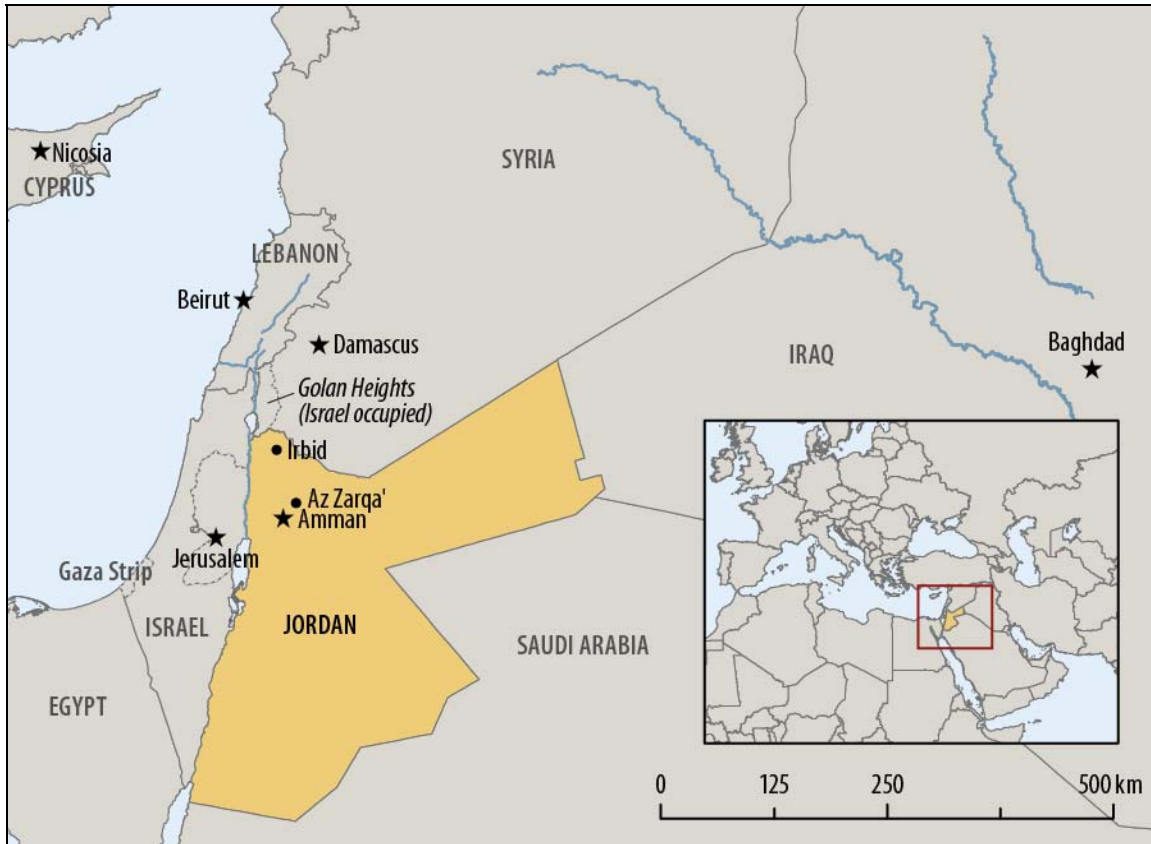
Although the United States and Jordan have never been linked by a formal treaty, they have cooperated on a number of regional and international issues for decades. The country's small size and lack of major economic resources have made it dependent on aid from Western and friendly Arab sources. U.S. support, in particular, has helped Jordan deal with serious vulnerabilities, both internal and external. 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

¹ "Jordan says Egypt gas cuts cost Amman \$2 bln," *Agence France Presse*, April 23, 2012.

² "U.S., Jordan Eye Syrian Weapon Stocks," *Wall Street Journal*, March 9, 2012.

United States and the Persian Gulf states; however, relations improved throughout the 1990s as Jordan played an increasing role in the Arab-Israeli peace process and distanced itself from the Iraqi regime of Saddam Hussein.

Figure 1. Jordan and Its Neighbors



Source: CRS Graphics.

Domestic Politics and the Economy

Jordan, created by colonial powers after World War I, initially consisted of desert or semi-desert territory east of the Jordan River, inhabited largely by people of Bedouin tribal background. The establishment of the state of Israel brought large numbers of Palestinian refugees to Jordan, which subsequently annexed a small Palestinian enclave west of the Jordan River known as the West Bank.³ The original “East Bank” Jordanians, though probably no longer a majority in Jordan, remain predominant in the country’s political and military establishments and form the bedrock of support for the Jordanian monarchy. Jordanians of Palestinian origin comprise an estimated 55%

³ Though there was very little international recognition of Jordan’s annexation of the West Bank, Jordan maintained control of it (including East Jerusalem) until Israel took military control of it during the June 1967 Arab-Israeli War, and maintained its claim to it until relinquishing the claim to the Palestine Liberation Organization in 1988.

to 70% of the population and generally tend to gravitate toward the private sector due to their exclusion from certain public sector and military positions.⁴

The Hashemite Royal Family

Jordan is a hereditary constitutional monarchy under the prestigious Hashemite family, which claims descent from the Prophet Muhammad. King Abdullah II has ruled the country since 1999, when he succeeded to the throne upon the death of his father, the late King Hussein, after a 47-year reign. Educated largely in Britain and the United States, King Abdullah II had earlier pursued a military career, ultimately serving as commander of Jordan's Special Operations Forces with the rank of Major General. The king's 17-year-old son Prince Hussein is the designated crown prince.⁵

King Abdullah II (age 50) has won approval for his energetic and hands-on style of governing; however, some Jordanians, notably Palestinians and Islamic fundamentalists, are opposed to his policies of cooperating with the United States on issues such as Iraq and the Arab-Israeli peace process.

The king appoints a prime minister to head the government and the Council of Ministers (cabinet). Typically, Jordanian governments last no more than 15 months before they are dissolved by royal decree. This is done in order to bolster the king's reform credentials and to dispense patronage to various elites. The king also appoints all judges and is commander of the armed forces.

| Jordan in Brief | |
|---|---|
| Population: | 6,407,085 (July 2010 est.) |
| 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% (2001 est.) |
| Literacy: | 89% (male 95%, female 84%) (2003 est.) |
| GDP: | Per Capita \$5,300 (2010 est.) |
| Inflation: | 4.4% (2010 CIA est.) 5.5% (December 2010 IMF est.) |
| Unemployment: | 13.5% (official estimate); ca. 30% according to some unofficial estimates (2009 est.) |
| External Debt: | \$5.52 billion (December 2010 est.) |
| Sources: U.S. Dept. of State; CIA World Factbook; Central Bank of Jordan; International Monetary Fund; other U.S. and Jordanian government departments; The Economist Intelligence Unit (London) | |

Parliament, Constitution, Political Parties, and Judiciary

Jordan's bicameral legislature is composed of a mostly elected 120-member lower house and an appointed 55-member upper house.⁶ Building on his father's legacy, King Abdullah II has

⁴ Speculation over the ratio of East Bankers to Palestinians (those who arrived as refugees and immigrants since 1948) in Jordanian society tends to be a sensitive domestic issue. Jordan last conducted a national census in 2004, and it is unclear whether or not the government maintains such statistics. Over time, intermarriage has made it more difficult to discern distinct differences between the two communities, though divisions do persist.

⁵ In July 2009, King Abdullah II named his then 15-year-old son, Prince Hussein Bin Abdullah, as crown prince. The position had been vacant since 2004, when King Abdullah II removed the title from his half-brother, Prince Hamzah.

⁶ During the late 1970s and early 1980s, the parliament was suspended and legislative powers reverted to the government.

supported a limited parliamentary democracy, while periodically curtailing dissent when it threatened economic reforms or normalization of relations with Israel. Overall, parliament has limited power. In theory, it can override the veto authority of the king with a two-thirds majority in both the upper and lower houses. A two-thirds majority of the lower house can also dissolve the cabinet with a “no confidence” vote. However, since both houses almost always have solid pro-government majorities, such actions are rarely attempted (once in April 1963).

The Jordanian constitution empowers the king with broad powers. According to Article 35, “The King appoints the Prime Minister and may dismiss him or accept his resignation. He appoints the Ministers; he also dismisses them or accepts their resignation, upon the recommendation of the Prime Minister.” The constitution also enables the king to dissolve both houses of parliament and postpone lower house elections for two years.⁷ The king also can circumvent parliament through a constitutional mechanism that allows provisional legislation to be issued by the cabinet when parliament is not sitting or has been dissolved.⁸ The king also can issue royal decrees, which are not subject to parliamentary scrutiny. Finally, Article 195 of the Jordanian Penal Code prohibits insulting the dignity of the king (*lese-majeste*) with criminal penalties of one to three years in prison.

Political parties in Jordan are extremely weak, as the moderately fundamentalist Islamic Action Front (IAF) is the only well-organized movement. Most parties represent narrow parochial interests and are composed of prominent individuals representing a particular family or tribe. There are approximately 36 small parties in Jordan, consisting of an estimated 4,100 total members.⁹

Jordan’s constitution provides for an independent judiciary. According to Article 97, “Judges are independent, and in the exercise of their judicial functions they are subject to no authority other than that of the law.” Jordan has three main types of courts: Civil courts, special courts (some of which are the military/state security courts), and religious courts. In Jordan, state security courts administered by military (and civilian) judges handle criminal cases involving espionage, bribery of public officials, trafficking in narcotics or weapons, black marketing, and “security offenses.” Overall, the king may appoint and dismiss judges by decree, though in practice a palace-appointed Higher Judicial Council manages court appointments, promotions, transfers, and retirements.

⁷ The king also is allowed to declare martial law and suspend the provisions of the constitution. See United Nations Development Program (UNDP), Programme on Governance in the Arab Region (POGAR), Historical Background of Jordan’s Constitution, available online at <http://www.undp-pogar.org/countries/constitution.asp?cid=7>.

⁸ New amendments to Article 94 in 2011 have put some restrictions on when the executive is allowed to issue temporary laws.

⁹ CRS interview with Jordanian lawmakers, May 2006.

The Economy

With few natural resources¹⁰ and a small industrial base, Jordan has an economy which is heavily dependent on external aid from abroad, tourism, expatriate worker remittances,¹¹ and the service sector. Among the long-standing problems Jordan faces are poverty (15%-30%), corruption, slow economic growth, and high levels of unemployment, nominally around 13% but thought by many analysts to be in the 25%-30% range.¹² Youth unemployment is more than 30%. Corruption¹³ is particularly pronounced in Jordan. Use of intermediaries, referred to in Arabic as “*Wasta*” (connections), is widespread, and many young Jordanians have grown frustrated by the lack of social and economic mobility that corruption engenders.¹⁴ Each year, thousands of Jordanians go abroad in search of better jobs and opportunities. Like many poor countries, Jordan suffers from a “brain drain” of its most talented workers, and the government has struggled to develop incentives to keep its well-educated, highly skilled workers close to home. The government is by far the largest employer, with between one-third and two-thirds of all workers on the state’s payroll. Some estimates suggest that 80% of all government spending is allocated toward civil service expenses.

Foreign Relations

Jordan’s Relationship with Israel

Finding a peaceful solution to the Israeli-Palestinian conflict is the utmost priority of the Jordanian government. Although Jordan joined other neighboring Arab states in a series of military conflicts against Israel between 1948 and 1973, the late King Hussein (ruled 1952-1999) ultimately concluded that peace with Israel was in Jordan’s strategic interests due to Israel’s conventional military superiority, the development of an independent Palestinian national movement that threatened both Jordanian and Israeli security, and Jordan’s support for Saddam Hussein in the first Gulf War, which isolated it from the West.¹⁵ Consequently, in 1994 Jordan and

¹⁰ Jordan possesses substantial reserves of phosphates and potash. No significant oil and gas fields have been discovered. However, Jordan has one of world’s largest reserves of oil shale. Officials estimate that the country contains the world’s fourth-largest oil shale reserves. In 2006, Shell signed an oil shale exploration agreement with the Jordanian government. Estonia’s Eesti Energia AS also has signed agreements on oil shale projects. See, “Amman Unlocks Energy Potential,” *Middle East Economic Digest*, August 7, 2009.

¹¹ It is estimated that up to 20% of GDP comes from remittances. Nearly 10% of Jordan’s population (600,000 est.) reside and work in Arab Gulf countries.

¹² One factor that exacerbates the unemployment situation in Jordan is the social stigma attached to menial labor jobs. Referred to as the “culture of shame,” Jordanian tribal traditions look down on certain types of employment such as construction. In fact, the government estimates that there are approximately 300,000 to 400,000 foreign laborers in Jordan working as domestic laborers, bricklayers, and other tasks. According to the Jordanian Employment Ministry, Egyptians make up 68% of foreign workers in Jordan.

¹³ Jordan was ranked 49 out of 180 countries surveyed in Transparency International’s 2009 Corruption Perceptions Index.

¹⁴ In 2006, the Jordanian parliament passed a law establishing an Anti-Corruption Commission (ACC) which has taken on several high level investigations in recent years, specifically looking into accusations of graft in a public housing project (Decent Home for Decent Living) and a water works project (Disi Water Conveyance). However, some

¹⁵ In 1991, Congress suspended the delivery of U.S. economic and military aid to Jordan. See Section 502 of P.L. 102-27, the Dire Emergency Supplemental Appropriations for Consequences of Operation Desert Shield/Desert Storm, Food Stamps, Unemployment Compensation Administration, Veterans Compensation and Pensions, and Urgent Needs (continued...)

Israel signed a peace treaty,¹⁶ and King Abdullah II has used his country's semi-cordial official relationship with Israel to improve Jordan's standing with Western governments and international financial institutions, on which it relies heavily for external support and aid.

Nevertheless, the continuation of conflict continues to be a major obstacle to Jordan's development. The issue of Palestinian rights resonates with much of the population, as more than half of all Jordanian citizens originate from either the West Bank or the area now comprising the state of Israel. There are an estimated 1.9 million United Nations-registered Palestinian refugees in Jordan, and, while many no longer regard their stay in Jordan as temporary, they have retained their refugee status both as a symbolic sign of support for Palestinians living under Israeli occupation and in hope of being included in any future settlement.¹⁷ Furthermore, for King Abdullah II and the royal Hashemite family, who are of Arab Bedouin descent and rely politically on the support of East Bank tribal families, finding a solution to the conflict is considered a matter of political survival since the government cannot afford to ignore an issue of critical importance to a majority of its citizens. The royal family and their tribal constituents vehemently reject periodic Israeli calls for the reunification of the West Bank with Jordan proper (dubbed the "Jordanian Option"), a maneuver that could inevitably alter the political status quo in Jordan. Like his father before him, King Abdullah II has repeated the mantra that "Jordan is Jordan and Palestine is Palestine."

The King's Statements on Israel and Peace Process

For over a decade, King Abdullah II has attempted to convince U.S. policy makers and Congress to become more actively involved in mediating between Israelis and Palestinians. For the past two years, amid a stalled peace process and now regional political upheaval, King Abdullah II has reiterated his support for his country's peaceful relationship with Israel while chiding the Israeli government for not only failing to restart negotiations but also for obstructing the peace process by continuing to build settlements. He has called both publicly and privately for the United States to pressure Israel into returning to the negotiating table. The king has used the Western and U.S. media as a platform not only to advocate for peace but to warn of the dire regional consequences if war breaks out. He also has repeatedly cautioned that the lack of a resolution to the Israeli-Palestinian conflict undermines U.S. credibility in the Arab world and only increases Israel's isolation. Recent statements include:

(...continued)

for the Fiscal Year Ending September 30, 1991 and For Other Purposes.

¹⁶ Jordan and Israel signed the peace treaty on October 26, 1994. Later, the two countries exchanged ambassadors; Israel returned approximately 131 square miles of territory near the Rift Valley to Jordan; the 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 from Lake Tiberias (the Sea of Galilee) 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).

¹⁷ The United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) maintains a large presence in Jordan. UNRWA has 7,000 staff in Jordan, comprising mostly teachers, doctors, and engineers. It operates 172 schools in Jordan (providing education through 10th grade, then the remainder provided by government). According to UNRWA officials, their budget is \$104 million a year. At this point, 83% of all U.N.-registered refugees live outside of UNRWA camps.

- In September 2011, the king remarked that “Everything we've seen on the ground has been completely the opposite.... [There's] increasing frustration, because they're [Israeli officials] sticking their heads in the sand and pretending there isn't a problem.”¹⁸
- In May 2011, the king stated that “It's always easy to find an excuse why not to do the right thing.... And if we continue along those lines, then we will never solve this problem. So we need leaders with courage to take the tough decisions and solve this once and for all.”¹⁹
- In April 2010, the king said that “I met Benjamin Netanyahu ... this time last year. I was extremely optimistic by the vision he had for peace between the Israelis and the Palestinians and the Israelis and the Arabs.... However, I have to say, that over the past 12 months, everything I've seen on the ground has made me extremely skeptical.... And, I believe I'm one of the more optimistic people you'll find in this part of the world.”²⁰
- In May 2009, the king said that “If we delay our peace negotiations, then there is going to be another conflict between Arabs or Muslims and Israel in the next 12-18 months.... Just because there is a right-wing [Israeli] government in Israel does not mean that we should chuck in the towel.”²¹

U.S. Aid, Trade, and Military Cooperation

U.S. Foreign Assistance to Jordan

The United States has provided economic and military aid, respectively, to Jordan since 1951 and 1957. Total U.S. aid to Jordan through FY2012 amounted to approximately \$13.10 billion. Jordan has received large allocations in supplemental appropriations acts (a total of \$2.186 billion since FY2002). In addition to funds specifically earmarked for Jordan, emergency supplemental bills also have contained funds to reimburse Pakistan, Jordan, and other key cooperating states for logistical expenses in support of U.S. military operations.

The Five-Year Aid Deal

On September 22, 2008, the U.S. and Jordanian governments reached an agreement whereby the United States will provide a total of \$660 million in annual foreign assistance to Jordan over a five-year period (FY2010-FY2014). Under the terms of their non-binding Memorandum of Understanding (MOU), this first-of-its-kind deal commits the United States, subject to future congressional appropriation and availability of funds, to providing \$360 million per year in Economic Support Funds (ESF) and \$300 million per year in Foreign Military Financing (FMF).²² According to the Jordanian government, the agreement “reaffirms the strategic

¹⁸ "Jordan's King Says Israel Blocks Peace," *Wall Street Journal*, September 20, 2011.

¹⁹ "King Abdullah II warns of fresh Mideast conflict," *Agence France Presse*, May 22, 2011.

²⁰ "Jordan's king issues rebuke to Israel," *Wall Street Journal*, April 6, 2010.

²¹ "King Abdullah warns of Mideast war if no deal," *Agence France Presse*, May 11, 2009.

²² Under the terms of the MOU, annual foreign aid (non-supplemental) to Jordan will rise by nearly 50%, from an (continued...)

partnership and cooperation between the two countries.” Coming at a time when the overall budget for foreign aid was constrained by U.S. operations in Iraq and Afghanistan, the deal was a testament to strong U.S.-Jordanian relations.

Economic Assistance

The United States provides economic aid to Jordan as both a cash transfer and for USAID programs in Jordan. The Jordanian government uses cash transfers to service its foreign debt.²³ Approximately 53% of Jordan’s ESF allotment goes toward the cash transfer. USAID programs in Jordan focus on a variety of sectors including democracy assistance, water preservation, and education (particularly building and renovating public schools). In the democracy sector, U.S. assistance supports capacity building programs for the parliament’s support offices, the Jordanian Judicial Council, Judicial Institute, and the Ministry of Justice. The International Republican Institute and the National Democratic Institute also receive U.S. grants to train, among other groups, some Jordanian political parties and members of parliament. USAID provided \$26 million in FY2010 to support political development in Jordan. In the water sector, the bulk of U.S. economic assistance is devoted to optimizing the management of scarce water resources, as Jordan is one of the most water-deprived countries in the world. USAID is currently subsidizing several waste treatment and water distribution projects in the Jordanian cities of Amman, Mafrqa, Aqaba, and Irbid.

In order to address many of the economic grievances expressed by Arab protestors throughout the so-called Arab Spring of 2011, USAID has reprogrammed \$45 million in previously-appropriated ESF to the establishment of a small-to-medium enterprise (SME) loan guarantee financing facility. The Overseas Private Investment Corporation (OPIC) plans to provide \$250 million in loan guarantees for new and expanding SMEs, and USAID funding will support administration of the fund.

Food Aid

Jordan periodically receives U.S. food aid administered by the Department of Agriculture (USDA) under Title I of the Food for Peace Act (P.L. 480), under the Section 416(b) program permanently authorized by the Agricultural Act of 1949, and under the Food for Progress Act of 1985 as a grant. Between FY1999 to FY2006, Jordan received approximately \$238.52 million in food aid to purchase wheat. Jordan received no food assistance between FY2007 to FY2010. In FY2011, the United States provided Jordan with \$19 million aid to purchase 50,000 metric tons of wheat.

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estimated \$460 million per year to \$660 million.

²³ When providing cash transfer assistance, the United States, through USAID, requires the Jordanian government to meet certain mutually-agreed upon benchmarks. According to USAID, these benchmarks include, among others, the Government of Jordan approving an Insolvency and Bankruptcy draft law, streamlining the consultation process required for registering property, approving a Medical Liability draft law, approving the Anti-Money Laundering Unit (AMLU) By-Laws, amending the Judicial Independence Law to allow for the formation of a Judges Association, and allowing Iraqis returning home to exit the Kingdom without paying overstay fees or incurring a bar to reentry. CRS Correspondence with USAID, March 3, 2011.

Millennium Challenge Account (MCA)

In FY2006, Jordan was listed by the Millennium Challenge Corporation (MCC) as a Threshold country in the lower middle-income bracket. On September 12, 2006, the MCC's board of directors approved up to \$25 million in Threshold Program assistance for Jordan. Even prior to the selection, the possible choice of Jordan had come under severe criticism. *Freedom House*, the organization whose annual Index of Freedom is drawn upon for two of the "Ruling Justly" indicators, urged the MCC board to bypass countries that had low scores on political rights and civil liberties. It argued that countries like Jordan that fall below 4 out of a possible 7 on its index should be automatically disqualified. Jordan, however, did well on 3 of the 6 other indicators in this category. Several development analysts further argued that Jordan should not be eligible, asserting that it is already one of the largest recipients of U.S. aid, has access to private sector capital, and is not a democracy. In selecting Jordan, the MCC board appears not to have been swayed by these arguments.

In September 2010, the Millennium Challenge Corporation approved a five-year, \$275.1 million compact with the Hashemite Kingdom of Jordan to increase the supply of water available to households and businesses in the cities of Amman and Zarqa. The compact also will help improve the efficiency of water delivery, wastewater collection, and wastewater treatment. If estimates hold true, the clean drinking water generated as a result of the MCC compact may be enough to supply almost 1 million Jordanian citizens with freshwater.

Military Assistance

U.S. military assistance is primarily directed toward upgrading Jordan's air force, as recent purchases include upgrades to U.S.-made F-16 fighters, air-to-air missiles, and radar systems. FMF grants also provide financing for Jordan's purchase of U.S. Blackhawk helicopters in order to enhance Jordan's border monitoring and counter-terror capability. Jordan is currently the single largest provider of civilian police personnel and fifth-largest provider of military personnel to U.N. peacekeeping operations worldwide. In addition to large-scale military aid grants for conventional weapons purchases, Jordan also receives grants of U.S. antiterrorism assistance from the Nonproliferation, Anti-Terrorism, Demining, and Related Programs account (NADR). Jordan received \$24.6 million in NADR funds in FY2010 and \$12.5 million in FY2011 to support local authorities in customs inspection and border patrol. Jordan also receives small sums of International Narcotics Control and Law Enforcement (INLCE) aid to support police training in forensic criminal investigation procedures to combat gender-based violence, anti-money laundering, and enforcement of intellectual property rights laws (approximately \$1.5 million in FY2010 and \$250,000 in FY2011).

Trade

Jordan ranked 78th among U.S. trading partners in volume of trade with the United States in 2011. According to the United States Trade Commission, in 2011 Jordan exported over a billion dollars in goods and services to the United States, a large percentage of which consisted of apparel and clothing accessories. In 2011, Jordanian imports from the United States reached \$1.4 billion. Principal U.S. commodities imported by Jordan consisted of aircraft parts, machinery and appliances, vehicles, and cereals. Two measures, in particular—the Free Trade Agreement and Qualifying Industrial Zones—have helped expand U.S.-Jordanian trade ties and could create more opportunities for U.S. investment in Jordan.

Free Trade Agreement

On October 24, 2000, then-President Clinton and King Abdullah II witnessed the signing of a U.S.-Jordanian Free Trade Agreement, which eliminated duties and commercial barriers to bilateral trade in goods and services originating in the two countries. Earlier, in a report released on September 26, 2000, 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, then-U.S. Trade Representative Zoellick and then-Jordanian Ambassador Marwan Muasher 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. President Bush signed H.R. 2603, which implemented the FTA as P.L. 107-43 on September 28, 2001, during King Abdullah’s visit to Washington, DC, following the September 11, 2001, attacks. For additional information, see CRS Report RL30652, *U.S.-Jordan Free Trade Agreement*, by Mary Jane Bolle.

Qualifying Industrial Zones

One outgrowth of the Jordanian-Israeli peace treaty was 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. QIZs were designed both to help the Jordanian economy and to serve as a vehicle for expanding commercial ties between Jordan and Israel. Although QIZs have succeeded in boosting U.S.-Jordanian trade, there has been only a modest increase in Jordanian-Israeli trade.

Currently there are 13 QIZs in Jordan employing approximately 43,000 people (working eight-hour days six days a week), 74% of whom are foreign workers from Southeast Asian nations including Pakistan, India, Bangladesh, and Sri Lanka. In general, foreign laborers are viewed as more skilled and productive than local Jordanians. In addition, it is difficult for employers to recruit local Jordanians since workers typically live on site, and many are hesitant to separate from their families, though in some areas local Jordanians are provided with free transportation to the QIZs. According to one Jordanian labor leader, foreign workers are attractive to employers because “they are like slaves. They work them day and night.”²⁴ Labor rights activists also have complained that Jordanian workers in the QIZs are excluded from a new minimum wage law.

²⁴ “Industrial Zones Create Little Work for Jordanians,” *Financial Times*, February 9, 2009.

Military Cooperation

Military Sales

The United States is helping Jordan to 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 recent years, Jordan has used U.S. military assistance grants to purchase Advanced Medium Range Air-to-Air Missiles, upgrades for its fleet of F-16 fighters (approximately 70-80), and Black Hawk helicopters. The United States also delivered three Patriot anti-missile batteries to Jordan in early 2003 prior to the start of U.S. military operations in Iraq.

Table I. Recent Foreign Military Sales to Jordan

| Fiscal Year | Weapon System | \$ Value of Sale | Prime Contractor |
|-------------|-----------------------------------|------------------|-----------------------------------|
| FY2006 | National Command & Control System | \$450 million | Northrop Grumman Corporation |
| FY2006 | Black Hawk Helicopters | \$60 million | Sikorsky Co. and General Electric |
| FY2006 | Armored Personnel Carriers | \$156 million | BAE Company |
| FY2008 | Border Security System | \$390 million | DRS Technologies Corp |
| FY2009 | AMRAAM Missiles | \$131 million | Raytheon |
| FY2009 | Artillery Rocket Systems | \$220 million | Multiple Companies |
| FY2010 | Repair of F-16 Engines | \$75 million | Pratt & Whitney |
| FY2010 | JAVELIN Anti-Tank Guided Missiles | \$388 million | Javelin Joint Venture |

Source: Defense Security Cooperation Agency (DSCA).

Joint Exercises and Training

A U.S.-Jordanian Joint Military Commission has functioned since 1974. More than 300 Jordanian military personnel study in the United States each year. In recent years, Jordan is among the top three recipients of U.S. International Military Education and Training (IMET) funding. IMET also funds the equipping of English language labs in Jordan. Combined training exercises by U.S. and Jordanian military units continue to take place in Jordan (dubbed "Early Victor"), at least on an annual basis and sometimes more often. The above-mentioned courses conducted by Jordan for Iraqi military personnel are reportedly being funded by the United States under a program called the New Iraqi Army Training Project.²⁵ In addition, the United States has supported the construction of the King Abdullah II Center for Special Operations Training (KASOTC). The center, which has been partially financed by the United States including with \$99 million in appropriations from the FY2005 Emergency Supplemental Act (P.L. 109-13), serves as a regional headquarters for counter-terrorism training.²⁶ In 2003, Jordan built a Special Operations

²⁵ Riad Kahwaji, "Forging a New Iraqi Army—in Jordan," *Defense News*, February 9, 2004, p. 8.

²⁶ According to one description of the new U.S.-Jordanian facility, "If special forces have to conduct house-to-house searches, KASOTC provides that infrastructure in a training environment.... If they have to rescue hostages on an airplane, KASOTC provides the plane. If they have to rescue hostages from an embassy, KASOTC provides an embassy structure." See, Joan Kibler, "KASOTC," *Special Operations Technology Online Edition*, volume 6, issue 2, March 19, 2008.

Command and the Anti-Terrorism Center in order to boost counter-terrorism capabilities within the military.

Other Activities

Under the provisions of Section 517 of the Foreign Assistance Act of 1961 as amended, then-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.”

According to U.S. and Jordanian officials, Jordan has deployed two military hospitals to Afghanistan and Iraq, respectively, and has committed almost 600 health care professionals to the two facilities. Both facilities provide critical health care to numerous patients, including civilians. The hospital in Afghanistan cares for more than 650 patients a day, having treated more than 500,000 since it was first deployed in December 2001. In Iraq, Jordan helped train 50,000 policemen, helped the United States reach out to Sunni tribes and politicians in order to facilitate reconciliation, and still maintains a field hospital in Fallujah.

Jordan also regularly contributes peacekeeping forces to United Nations missions abroad.²⁷ In November 2006, a Jordanian United Nations peacekeeping patrol in the Haitian capital, Port-au-Prince, was killed while on patrol. Jordan has about 1,500 troops in the Brazilian-led U.N. force, which includes more than 8,000 soldiers and police supported by some 1,000 civilian personnel. Two other Jordanian soldiers were killed in January 2006. In 2009, five more Jordanian peacekeepers were killed in a plane crash during a border surveillance mission while serving in Haiti. Three more Jordanian soldiers were killed during the devastating 2010 earthquake in Haiti.

Jordan’s Role in Afghanistan

Although the Jordanian government had publicly acknowledged a limited humanitarian presence in Afghanistan since major NATO operations began there in 2001, the December 30, 2009, terrorist attack against a CIA base in Khost, in which a Jordanian intelligence agent and royal family member was killed, shed light on Jordan’s deeper cooperation against Al Qaeda and their Taliban allies.²⁸ Officially, Jordan has not acknowledged its intelligence role in Afghanistan. Numerous reports of joint CIA-GID cooperation have illustrated Jordan’s long-standing, but unacknowledged cooperation with U.S. global counterterrorism. According to one unnamed U.S.

²⁷ To date, the Jordanian Armed Forces (JAF) have contributed 57,000 troops to 18 different United Nations peacekeeping missions.

²⁸ On December 30, 2009, Humam Khalil Abu Mulal al Balawi, a Jordanian terrorist who had been serving as an informant for the Central Intelligence Agency and Jordan’s General Intelligence Directorate, detonated a suicide vest bomb killing eight people outside CIA Forward Operating Base Chapman in Khost, Afghanistan. His Jordanian handler, Captain Sharif Ali bin Zeid, a member of the royal family, was killed as well. Al Balawi, a physician, held virulent anti-American and anti-Israeli views expressed in various Jihadist online forums. Prior to his attack, he had managed to convince U.S. and Jordanian intelligence officials that he knew the whereabouts of Ayman Al Zawahiri, who is Al Qaeda’s second-in-command. In a video filmed before his death, Al Balawi swore revenge for the August 2009 killing of Pakistani Taliban leader Baitullah Mehsud and appeared with Mehsud’s cousin and successor Hakimullah Mehsud. Months later, a second video emerged showing Al Balawi urging militants to target Jordan for terrorist attacks.

source, “we have a close partnership with the Jordanians on counterterrorism matters.... Having suffered serious losses from terrorist attacks on their own soil, they are keenly aware of the significant threat posed by extremists.” Jordanian Prime Minister Samir al Rafa'i stated that “Being part of this world, we have to coordinate with other countries and exchange information about the location of terrorist groups.... We will be everywhere as long as this is necessary for our national security.” Some Jordanian Islamists have expressed dismay at the degree of Jordanian cooperation with the United States, and there is some concern that the 2009 incident might temper future U.S.-Jordanian intelligence cooperation.

In March 2010, NATO Secretary General Anders Fogh Rasmussen officially requested that Jordan play a role in training the Afghan Army. In response, Jordan has sent an unspecified number of instructors from its armed forces and security service to Afghanistan. Reportedly, Jordan has already trained 2,500 members of the Afghan special forces at the King Abdullah II Special Operations Training Centre.²⁹ Jordan also is helping to promote religious toleration by training Afghan imams.

In June 2011, a Jordanian Al Qaeda operative named Mahmoud Hamdan Nizal (aka Abu Dher al Urduni) was killed in a clash with U.S. troops in eastern Afghanistan. Nizal was from the city of Zarqa and was killed in a U.S. air or artillery strike.

²⁹ "Jordan Trained 2,500 Afghan Special Forces: Minister," *Agence France Presse*, May 12, 2010.

Table 2. Annual U.S. Aid to Jordan Since the 1991 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 | 1.6 | 75.0 | 2.0 | 228.60 |
| 2002 (Suppl.) | 100.0 | 0 | 0 | 0 | 25.0 | 0 | 125.00 |
| 2003 | 250.0 | 0 | 0 | 1.0 | 198.0 | 2.4 | 451.40 |
| 2003 (Suppl.) | 700.0 | 0 | 0 | 0 | 406.0 | 0 | 1,106.00 |
| 2004 | 250.0 | 0 | 0 | 2.3 | 206.0 | 2.9 | 461.20 |
| 2004 (Suppl.) | 100.0 | 0 | 0 | 0 | 0 | 0 | 100.00 |
| 2005 | 250.0 | 0 | 0 | 1.6 | 206.0 | 3.0 | 460.60 |
| 2005 (Suppl.) | 100.0 | 0 | 0 | 0 | 100.0 | 0 | 200.00 |
| 2006 | 247.5 | 0 | 0 | 1.6 | 207.9 | 3.0 | 460.00 |
| 2006 (Suppl.) | 50.0 | 0 | 0 | 0 | 0 | 0 | 50.00 |
| 2007 | 245.0 | 0 | 0 | 0 | 206.0 | 3.1 | 454.10 |
| 2007 (Suppl.) | 10.3 | 0 | 0 | 0 | 45.0 | 0 | 55.30 ⁱ |
| 2008 | 361.4 | 0 | 0 | 0 | 298.3 | 2.9 | 662.60 |
| 2008 (Suppl.) | 200.0 | 0 | 0 | 0 | 50.0 | 0 | 250.00 |
| 2009 | 263.5 | 0 | 0 | 0 | 235.0 | 3.1 | 501.60 |
| | | | | | (150.0 in FY2010 | | |
| 2009 (Suppl.) | 150.0 | 0 | 0 | 0 | Advanced funding) | 0 | 150.00 |
| 2010 | 363.0 | 0 | 0 | 0 | 300.0 | 3.8 | 666.8 |
| 2010 (Suppl.) | 100.0 | 0 | 0 | 0 | 50.0 | 0 | 150.0 |
| 2011 | 362.0 | 0 | 0 | 0 | 299.4 | 3.7 | 665.1 |
| FY2012 (Estimate) | 360.0 | 0 | 0 | 0 | 300.0 | 3.7 | 663.7 |

| Fiscal Year (FY) | Economic Assistance | | | | Military Assistance | | Totals |
|------------------|---------------------|------|-------|---------|---------------------|------|--------|
| | EconSpt | Food | Devel | PeaceCp | FMF | IMET | |
| FY2013 (Request) | 360.0 | 0 | 0 | 0 | 300.0 | 3.8 | 663.8 |

Note: These figures do not include debt relief subsidy appropriations, food aid between 1999-2006, or amounts for de-mining assistance and counter-terrorism assistance.

- 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 were obligated in later years (FY2001 or FY2002).
- i. Total FY2007 supplemental aid to Jordan was \$85.3 million. The above chart does not include \$25 million in NADR funds.

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