

CRS Issue Brief for Congress

Received through the CRS Web

Jordan: U.S. Relations and Bilateral Issues

Updated June 2, 2003

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

CONTENTS

SUMMARY

MOST RECENT DEVELOPMENTS

BACKGROUND AND ANALYSIS

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, 2001

Murder of a U.S. Diplomat

Jordan's Role in the Peace Negotiations

Peace Agreements and Normalization

Further Arab-Israeli Negotiations

The West Bank and East Jerusalem

Hamas and Rejectionist Groups

Jordan's Position Regarding Iraq

Course of Jordanian-Iraqi Relations

Commercial Ties

Alternate Sources of Oil

U.S. Aid Issues

Aid, Funding Levels, and Trade

Previous and Recent Aid

FY2001 Assistance

FY2002 Assistance

FY2003 Assistance

FY2004 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, his son and successor, King Abdullah, has continued to follow the late King's moderate and pro-western policies. In recent years, Jordan has taken significant steps toward building democratic life, including a return to limited parliamentary democracy. Parliament has eased restrictions in laws affecting the press, but some remain.

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 concerns over the U.S.-led campaign against Iraq in 2003, and its relations with other regional states. King Abdullah expressed Jordan's "absolute condemnation" of the September 11, 2001 terrorist attacks on the U.S. and was the first Arab head of state to visit President Bush after the attacks. Jordan sent military medical and mine clearing units to Afghanistan in December 2001 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 September 28, 2001, President Bush signed a bill to implement the agreement (H.R. 2603) as P.L. 107-43.

In each of the five fiscal years 1998 through 2002, Jordan received approximately

\$225 million in annual U.S. assistance. The Administration proposed doubling U.S. assistance to Jordan in FY2003, in view of Jordanian support to the anti-terrorism campaign. These increased amounts of aid for Jordan were 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). A companion bill reported by the House Appropriations Committee (H.R. 5410) did not contain specific amounts, but the Committee recommended the amounts requested by the Administration in report language (H.Rept. 107-663).

The 107th Congress adjourned without floor action on either bill; however, on February 13, 2003, both houses agreed to the conference report on a new bill, H.J.Res. 2, the Consolidated Appropriations Resolution, 2003, which became P.L. 108-7 on February 20. The bill contained \$250 million for Jordan in economic assistance but did not contain a specific earmark for Jordan in military assistance. Also, the Emergency Wartime Supplemental Appropriations Act, 2003 (H.R. 1559/P.L. 108-11) provides \$700 million in additional economic and \$406 million in military assistance to Jordan in FY2003; the House and Senate agreed to the conference report on H.R. 1559 on April 12. It was signed into law (P.L. 108-11) on April 16, 2003.

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

On March 25, 2003, President Bush sent Congress a request for supplemental funding including, among other things, \$700 million in economic aid and \$406 million in military assistance for Jordan to help offset the effects of the war with Iraq on Jordan's economy and bolster its security. Versions of the Emergency Wartime Supplemental Appropriations Act, 2003 (H.R. 1559) passed by the House on April 3 and Senate on April 7, respectively, contained the requested amounts for Jordan, as did the conference report (H.Rept. 108-76), which was passed by voice vote in the House and unanimous consent in the Senate on April 12, 2003. In addition, Section 1310 of the bill provided that up to \$1,400 million may be transferred under the heading Iraqi Freedom Fund to Pakistan, Jordan, and other key cooperating states to reimburse them for certain logistical expenses and military support. The bill was signed into law (P.L. 108-11) on April 16, 2003.

In other developments, as of May 27, 2003, 810 candidates including 55 women plan to contest 104 seats in the lower house of parliament in elections scheduled to be held on June 17, after a two-year delay.

Jordan will host a summit conference to be attended by President Bush, Israeli Prime Minister Ariel Sharon, and Palestinian Prime Minister Mahmoud Abbas on June 4, 2003, where attendees will discuss further steps to solve the Arab-Israeli conflict.

BACKGROUND AND ANALYSIS

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

Jordan in Brief

Population (July 2002): 5,307,470
 growth rate 2.89%
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): 16% (official estimate); 25%-3-%, according to some unofficial estimates
Armed Forces (2002): personnel 100,240; tanks 1,101; 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.

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 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. Addressing a forum on October 3, 2002, King Abdullah pointed to significant economic achievements during the past three years, commenting that the country had seen 4.2% growth in 2001 and 4.9% during the second quarter of 2002, after experiencing negative growth three years ago. On October 13, the Jordanian Minister of Trade predicted annual growth would reach 5.1% by the end of 2002, noting that exports had increased during 2002 by 17%.

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. On February 27, 2003, the

Prime Minister announced that elections will be held on June 17, 2003. According to a statement to the press on May 13 by Jordanian Minister of the Interior Qaftan Majali, 810 candidates including 55 women plan to run in the elections. Also, the Islamic Action Front has rescinded its 1997 boycott of the elections, thereby broadening the electorate.

Reaction to Terrorist Attacks of September 11, 2001

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. 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. According to a U.S. Defense Department fact sheet, as of June 6, 2002, the hospital had seen 68,811 patients, almost all of them civilian, and performed 798 surgeries. A Jordanian Army mine-clearing unit, also deployed to Afghanistan during December, helped clear 70,000 square meters of territory including a key air base of anti-tank and anti-personnel mines. Also, the Defense Department fact sheet noted that Jordan has provided basing and overflight permission for U.S. and coalition forces taking part in operations in Afghanistan.

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. 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.

In November 2002, Jordanian police and military units moved to suppress rioting in the south-central town of Maan following government attempts to arrest a militant Islamic preacher who had earlier staged a rally in support of Osama bin Laden. Government sources attributed the unrest in Maan to drugs and smuggling, but some other observers attributed it to perceived neglect by the government of poor economic conditions in the Maan area, notably high unemployment.

Murder of a U.S. Diplomat. On October 28, 2002, Lawrence Foley, a U.S. diplomat assigned to the U.S. Agency for International Development (USAID) program in Jordan, was shot and killed by an unknown assailant as Foley was leaving for work, marking the first lethal attack on a U.S. official in Jordan in more than 30 years. On December 14, the Jordanian Minister of Information announced that two persons who had been apprehended by Jordanian authorities as suspects in the Foley case had confessed to membership in Al Qaeda. According to Jordanian authorities, the two had received instructions from an Al Qaeda official outside Jordan to target foreign diplomats and Jordanian security services personnel. According to subsequent press reports on May 12, 2003, a Jordanian military prosecutor charged 11 men with "plotting to carry out terrorist activities leading to the death

of an individual” [presumably referring to Mr. Foley]. The charge did not specifically mention Al Qaeda.

Jordan’s Role in the Peace Negotiations

Peace Agreements and Normalization. Jordan and Israel signed a peace treaty on October 26, 2003. Subsequently, 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. As of October 2002, according to a Jordanian official, nine QIZs are currently operating in Jordan, employing more than 25,000 workers, mostly in the textile industry.

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. Among many mainstream Jordanians, there is some disappointment that peace with Israel has not brought more tangible economic benefits to them so far. 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). A Jordanian appellate court ruled on November 28, 2002, there is no legal foundation for the creation of anti-normalization committees by trade unions.

Further Arab-Israeli 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.”

Since the resumption of violence between Palestinians and Israelis in September 2000, Jordan has pushed the United States to take a more active role in the peace process. In a press release by the Jordanian Embassy in Washington, Jordan welcomed President Bush’s speech of June 24, 2002, outlining a forthcoming plan, or “Road Map,” to help jumpstart the peace process. The Road Map, released by the so-called Quartet (the United States, the European Union, Russia, and the United Nations) on April 30, 2003, includes a role for Jordan as part of an oversight board to assist in Palestinian-Israeli security cooperation and reconstruction activities on the West Bank and Gaza. In an interview with CNN correspondent Christiane Amanpour on April 27, 2003, King Abdullah described Israeli-Palestinian strife as “the core issue” in the Middle East but said he thinks President Bush is “committed to take whatever [action] is needed to solve these problems.” King Abdullah subsequently agreed to host a summit conference to be attended by President Bush, Israeli Prime Minister Ariel Sharon, and Palestinian Prime Minister Mahmoud Abbas at the Jordanian port of Aqaba on June 4, 2003, where attendees will discuss further steps to implement the Road Map.

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.” In a speech to a Washington, DC 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.

Jordan’s Position Regarding Iraq

Course of Jordanian-Iraqi Relations. As U.S.-Iraqi tensions mounted in mid-2002, Jordan tried to balance its close U.S. ties with its reluctance on political and economic grounds to support a military campaign against Iraq. Palestinians, who form a majority of Jordan’s population, and other Jordanians with tribal ties to Iraq largely opposed military action against Iraq; moreover, Jordanian officials reportedly estimated that a war with Iraq would create an additional burden of \$1 billion on Jordan’s economy. During the months that preceded the U.S.-led military campaign against Iraq (Operation Iraqi Freedom), Jordanian officials maintained publicly that Jordan would not become a “launching pad” for military action against Iraq¹ and that there were no U.S. troops in Jordan. On February 24, 2003, however, Jordanian Prime Minister Ali Abu Raghhab and U.S. defense officials acknowledged that several hundred U.S. troops were in Jordan to operate newly delivered Patriot anti-missile systems and coordinate search and rescue operations. (“U.S. Troops Deployed in Jordan,” *Boston Globe*, February 25, 2003.) A *Washington Post* article of April 1, 2003, two weeks after the military campaign began, estimated that 3,000 U.S. troops were in Jordan. As operations were underway in Iraq, Jordanian authorities reportedly prevented two Iraqi terrorist plots targeting Americans in the country. On March 23, 2003, the Jordanian government expelled five Iraqi diplomats believed to be involved in the terrorist plots.

After the war began, Jordan took several steps to meet the humanitarian needs of the Iraqi people. A 55-bed field hospital dispatched by the Jordanian Armed Forces to Iraq in late April had treated 5,500 patients, mostly Iraqis, by May 1. The Jordanian port of Aqaba is serving as a transit point for shipments of wheat and flour to Iraq. As military action receded, Jordanian leaders voiced concerns over the future of Iraq. In an interview on April 22, King Abdullah expressed the view that the Iraqi public would be more comfortable with a regime led by fellow Iraqis who had remained in Iraq during the hardships of the last two decades rather than with a regime headed by former Iraqi exiles. On April 27, Jordanian Foreign Minister Marwan Muasher strongly criticized a leading Iraqi exile, Ahmad Chalabi, who is believed by some to enjoy U.S. backing as a potential candidate to head a reconstituted Iraqi government. Muasher noted that Chalabi is wanted in Jordan for embezzling \$70 million in the 1980s. (Chalabi, who was convicted in absentia in Jordan in 1992, says that he was framed by agents of Saddam Hussein.)

¹ In an interview with *Reuters* on March 6, 2003, Jordanian Foreign Minister Marwan Muasher said “[w]e’ve made it clear Jordan is not going to participate in a war and will not be a launching pad for war against Iraq.” In an interview with the official Jordan News Agency published on April 3, King Abdullah stated that “[w]e are not part of this war.”

Commercial Ties. Prior to Operation Iraqi Freedom, Jordan 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. Actual payments were reportedly made in commodities rather than cash, through shipments of humanitarian goods from Jordan to Iraq, in accordance with annual trade accords signed between the two countries. Under the trade accord for 2002, for example, Jordan was to export an estimated \$260 million worth of commodities to Iraq. A news wire report of August 30, 2002, provided higher figures, indicating that Jordan was receiving an oil grant of \$300 million and another \$350 million worth of oil in barter arrangements. According to preliminary Jordanian government figures covering the first 11 months of 2002, Iraq and the United States ranked first and second, respectively, among Jordan's leading trading partners.

On late March 25, 2003, then Iraqi Vice President Taha Yasin Ramadan accused Jordanian authorities of suspending Iraqi oil shipments to Jordan, and other Iraqi officials said Jordan had prevented the entry of commodities into Iraq. Jordanian Trade Minister Salah Bashir denied that Jordan had impeded entry of commodities into Iraq but said that the on-going military campaign in Iraq necessitated halting the movement of oil trucks from Iraq to Jordan for reasons of safety. With the collapse of the Iraqi government in early April, future trade arrangements between the two countries are unclear. In the meantime, Jordanian transportation officials said on April 15 that 11,000 trucks are available in Jordan to haul humanitarian supplies to Iraq; according to press sources, the trucks can carry up to 500,000 tons monthly, which is approximately the amount of food and medicine scheduled to be sent to Iraq per month.

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 issued annual waivers of the above restrictions on U.S. assistance to Jordan on grounds of national interest but continued to encourage Jordan to seek alternative energy sources. (See below.)

Alternate Sources of Oil. According to news reports on March 6, 2003, an unidentified Arab official said Saudi Arabia, Kuwait, and the United Arab Emirates had agreed to provide Jordan with a total of 120,000 barrels of oil per day to replace shipments of Iraqi oil. A subsequent news report in April indicated that Saudi Arabia and Kuwait had agreed to provide Jordan with 50,000 and 25,000 barrels of oil per day, respectively. On April 13, Jordanian Energy Minister Muhammad Batayneh announced that a Saudi tanker delivered a shipment of 100,000 tons of crude oil to Jordan. Sources did not indicate whether these shipments are being provided at market prices, which would be significantly more costly than the discounted prices previously offered by Iraq.

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. The United States has markedly increased its aid to Jordan since the mid-1990s to help Jordan strengthen its economy, maintain domestic stability, and pursue normalization with Israel. Between FY1998 and FY2002, annual U.S. economic and military aid levels to Jordan were approximately \$150 million and \$75 million, respectively. Further increases in U.S. aid to Jordan began in FY2003, in view of Jordan's support for the post-9/11 campaign against terrorism. More detailed discussion follows. **Table 2** shows U.S. levels of U.S. assistance to Jordan since 1990.

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. President Bush signed the bill as P.L. 106-115 on January 10, 2002.

As part of its campaign against terrorism in the aftermath of the September 11 attacks, the Bush Administration 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. According to the Jordanian press, the last installment of the \$100 million in FY2002 supplemental budgetary support was released to Jordan on November 7, 2002.

FY2003 Assistance. The Bush Administration sought to double U.S. aid to Jordan in FY2003, in view of Jordanian support to the campaign against terrorism. The Administration's budget request contained 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 would 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 were 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." A bill reported by the House Appropriations Committee on September 19, 2002, H.R. 5410, did not contain specific amounts; however, in report language (H.Rept. 107-663), the Committee recommended the same levels of aid as those contained in the President's budget request. The Committee also "expressed its continued strong support for and appreciation of Jordan's constructive and critical role in the region." The 107th Congress adjourned without floor action on either bill. On February 12, 2003, both houses agreed to the conference report on a new bill, H.J.Res. 2, the *Consolidated Appropriations Resolution, 2003*, which President Bush signed as P.L. 108-7 on February 20. The conference report (H.Rept. 108-10) contained \$250 million in ESF for Jordan in FY2003. The conference report did not contain a specific earmark in FMF for Jordan in FY2003 but noted that the \$198 million contained in the Senate version of the bill had already been obligated by the Administration for Jordan.

On March 25, 2003, the President sent Congress a request for supplemental funding including, among other things, \$700 million in economic aid and \$406 million in military assistance for Jordan to help offset the effects of the war with Iraq on Jordan's economy and bolster its security. Versions of the Emergency Wartime Supplemental Appropriations Act, 2003, H.R. 1559) passed by the House on April 3 and Senate on April 7, respectively, contained the requested amounts for Jordan, as did the conference report (H.Rept. 108-76),

which was passed by voice vote in the House and unanimous consent in the Senate on April 12, 2003. In addition, Section 1310 of the bill provided that up to \$1,400 million may be transferred under the heading Iraqi Freedom Fund to Pakistan, Jordan, and other key cooperating states to reimburse them for certain logistical expenses and military support. The bill was signed into law (P.L. 108-11) on April 16.

FY2004 Assistance. In its budget request for FY2004, the Administration has requested \$250 million in ESF and \$206 million in FMF for Jordan.

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.) (The *Consolidated Appropriations Resolution, 2003*, P.L. 108-7, makes \$15 million available from FY2002 supplemental funds to restructure certain loans and guarantees for Jordan.) 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; and 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. A subsequent Paris Club agreement in July 2002 rescheduled \$1.2 billion out of \$3.8 billion owed by Jordan to the 11 members of the Paris Club, thereby relieving Jordan of an annual \$250 million in debt-servicing payments to international creditors until 2007.

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*. Out of print, but available upon request from author, Alfred Prados.)

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 received 288 Challenger-1 tanks (which mount a 120-mm gun) from Britain. It was announced on October 24, 2002, that Britain has offered Jordan an additional 100 Challenger-1 tanks. In April 2002, the U.S. Defense Department said it was proposing to sell a \$22 million long-range radar system (AN/FPS-117) to Jordan to provide it with an enhanced early warning capability. With regard to the three Patriot anti-missile batteries delivered to Jordan by the United States in early 2003, Jordan's Prime Minister stated on February 25 that Jordan requested these weapons from the United States after Russia was unable to deliver S-300 surface-to-air missiles originally requested by Jordan in a timely manner.

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," held most recently between August 12 and September 5, 2002. U.S. and Jordanian officials reportedly stated that the exercise was not connected to any U.S. plans for future military operations against Iraq. Similarly, in a statement published in a London-based Arabic newspaper on October 20, 2002, a Jordanian official denied that a multilateral exercise in southern Jordan involving troops from the United States, Jordan, Oman, and Kuwait was linked to any possible military operations in Iraq. In early 2002, at U.S. request, Jordan reportedly began a training program to help Yemeni forces in countering terrorism. Subsequently, after Operation Iraqi Freedom, an article carried in the June 2, 2003, issue of *Defense News* reported that the United States has asked Jordan to help train the nucleus of a new Iraqi Army.

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’etat 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	2.0	228.40
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 ⁱ	250.0	0	0	***	206.0	2.9	458.90

*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. Administrations request for FY2004.

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.