CONGRESSIONAL BUDGET OFFICE
PAY-AS-YOU-GO ESTIMATE

September 26, 2001

H.R. 2603
An act to implement the agreement establishing a United States-Jordan Free Trade Area

As cleared by the Congress on September 24, 2001

SUMMARY

H.R. 2603 would approve the agreement between the government of the United States and the government of the Hashemite Kingdom of Jordan that was entered into on October 24, 2000. It would provide for tariff reductions and other changes in law related to implementation of the agreement, such as provisions dealing with dispute settlement and intellectual property rights protection. The Congressional Budget Office estimates that enacting H.R. 2603 would reduce revenues by $2 million in 2002, by $15 million over the 2002-2006 period, and by $44 million over the 2002-2011 period.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2603 on receipts and direct spending is shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, In Millions of Dollars										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Changes in receipts	0	-2	-2	-3	-4	-4	-5	-5	-5	-6	-9
Changes in outlays	Not applicable										

Under the United States-Jordan agreement, all tariffs on U.S. imports from Jordan would be phased out for individual products at varying rates according to one of nine different timetables ranging from immediate elimination to partial elimination over 10 years. One schedule would allow goods to enter at current rates of duty until the tenth year of the agreement, at which time such goods would enter duty-free. Based on Census Bureau data on imports from Jordan, CBO estimates that the reduction of tariff rates would reduce revenues by about $15 million over the 2002-2006 period, net of income and payroll tax offsets.

This estimate includes the effects of increased imports from Jordan that would result from the reduced prices of imported products in the United States—reflecting the lower tariff rates—and has been estimated based on the expected substitution between U.S. products and imports from Jordan. In addition, it is likely that some of the increase in U.S. imports from Jordan would displace imports from other countries. In the absence of specific data on the extent of this substitution effect, CBO assumes that an amount equal to one-half of the increase in U.S. imports from Jordan will displace imports from other countries.

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