

Reflecting on the Non-Economic Perspective of the Jordan-United States Free Trade Agreement after 24 Years

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ABSTRACT

This paper questions the prevailing understanding of Free Trade Agreements (FTAs) as primarily trade agreements justified by economic efficiency arguments. The argument made here is the research shows that FTAs are as much political as they are commercial arrangements. Since the prevailing literature justifies them primarily as effective economic tools, they are used to coerce developing countries to provide trading conditions that are not always in their favour. Developing countries are particularly disadvantaged by the imposition of trade terms in the name of economic efficiencies, which ignore the political aspects of FTAs. Therefore, this paper argues that it is time to review excessive economic analyses of FTAs and incorporate political and economic aspects into the scholarship. This is illustrated in this paper by analysing Jordan's entry into the FTA with the United State of America (US). The paper also argues that the Jordan-US FTA was motivated by the US geopolitical interests to emphasize Jordan's role in achieving peace and enhancing its importance in regional and international alliances in the Middle East region (ME). However, the strategic interests of the US in the region have changed, as the US administration's interest had shifted to the Arab Gulf region, which affected Jordan's importance in the region.

ملخص

تطرح هذه الورقة البحثية تساؤلات بخصوص الفهم السائد لاتفاقيات التجارة الحرة (FTAs) باعتبارها اتفاقيات تجارية في المقام الأول تبررها حجج الكفاءة الاقتصادية. والطرح الذي تتبناه هذه الورقة هو أن الأبحاث تظهر أن اتفاقيات التجارة الحرة هي ترتيبات سياسية بقدر ما هي تجارية. ولكون الأدبيات السائدة تنظر إليها باعتبارها أدوات اقتصادية فعالة في المقام الأول، فهي تستخدم لإجبار البلدان النامية على توفير شروط تجارية لا تكون دائما في صالحها. وتتضرر البلدان النامية بشكل خاص من فرض شروط تجارية باسم الكفاءة الاقتصادية، وهي الشروط التي تلغي

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الجوانب السياسية لاتفاقيات التجارة الحرة. لذلك، نرى من خلال هذه الورقة أنه قد حان الوقت لإعادة النظر في التحليلات الاقتصادية المفرطة بخصوص اتفاقيات التجارة الحرة وإدراج الجانبين السياسي والاقتصادي في الدراسات الأكاديمية. ويتجلى ذلك في هذه الورقة من خلال تحليل مسار انضمام الأردن إلى اتفاقية التجارة الحرة مع الولايات المتحدة الأمريكية. وترى الورقة أيضاً بأن اتفاقية التجارة الحرة بين الأردن والولايات المتحدة كانت مدفوعة بمصالح جيوسياسية أمريكية لتأكيد دور الأردن في تحقيق السلام وتعزيز أهميته في التحالفات الإقليمية والدولية في منطقة الشرق الأوسط. لكن المصالح الاستراتيجية للولايات المتحدة في المنطقة تغيرت، إذ تحول اهتمام الإدارة الأمريكية إلى منطقة الخليج العربي، وهذا ما أثار على أهمية الأردن في المنطقة.

RÉSUMÉ

Cet article remet en question la conception dominante des accords de libre-échange (ALE) comme étant principalement des accords commerciaux justifiés par des arguments d'efficacité économique. L'argument avancé ici est que les recherches montrent que les ALE sont autant des accords politiques que commerciaux. Alors que la littérature dominante les justifie avant tout comme des outils économiques efficaces, ils sont utilisés pour contraindre les pays en développement à offrir des conditions commerciales qui ne sont pas toujours à leur avantage. Les pays en développement sont particulièrement désavantagés par l'imposition de conditions commerciales au nom de l'efficacité économique, qui ignorent les aspects politiques des ALE. Par conséquent, ce document estime qu'il est temps de revoir les analyses économiques excessives de l'ALE et d'intégrer les aspects politiques et économiques dans les travaux universitaires. Ceci est illustré dans ce document par l'analyse de l'adhésion de la Jordanie à l'ALE avec les États-Unis d'Amérique (USA). Le document soutient également que l'ALE entre la Jordanie et les États-Unis a été motivé par les intérêts géopolitiques américains visant à souligner le rôle de la Jordanie dans la réalisation de la paix et à renforcer son importance dans les alliances régionales et internationales au Moyen-Orient (MO). Cependant, les intérêts stratégiques des États-Unis dans la région ont changé, l'administration américaine s'étant tournée vers la région du Golfe arabe, ce qui a affecté l'importance de la Jordanie dans la région.

Keywords: Free Trade Agreement, Foreign Policy Tool, International Alliances, the United States of America and Jordan

1. Introduction

The Jordan–United States Free Trade Agreement, signed on October 24, 2000, in Washington, DC, marked a historic milestone as the first US FTA with an Arab country and provided Jordan near-unfettered access to the American market. It entered into force on December 17, 2001, after both countries completed domestic ratification procedures. The agreement aimed for comprehensive tariff and non-tariff barrier elimination across industrial and agricultural sectors within a ten-year phase-in period. It also established a 35% minimum Jordanian content rule for goods to qualify for duty-free treatment. Crucially, the FTA incorporated ground breaking provisions on e-commerce, labour, and environmental standards directly into its text, subject to the agreement’s dispute settlement mechanisms—an innovative approach at the time. The inclusion of these standards within the FTA framework demonstrated a forward-looking blending of trade liberalization with social and regulatory concerns.²

Beyond its economic dimensions, the Jordan–US FTA was also framed as part of a broader strategy of deepening bilateral relations and consolidating Jordan’s role as a reliable regional partner. For Jordan, the agreement offered not only expanded access to US markets but also the symbolic recognition of its political and economic reforms in the aftermath of the 1994 peace treaty with Israel.³ For the US, meanwhile, it signalled a commitment to use trade agreements as instruments of both economic development and regional stability, blending commercial liberalization with geopolitical aims in the Middle East.

Therefore, the argument of this paper is that the agreement has been signed⁴ as a US foreign policy tool in the way it relates to the US purposes in the ME region. The agreement was offered to Jordan as a peace dividend for normalising its relations with Israel, given that steps to support Israel’s security and stability are highly significant to the US. The additional goal for the agreement was to encourage other Arab countries,

² Congressional Research Service. (2001). *U.S.–Jordan Free Trade Agreement: Analysis of environmental provisions* (Order Code RS20999). <https://www.everycrsreport.com/reports/RS20999.html>

³ Khwaileh, Khaled (2022). *Jordan's international trading regime and integration with the Arab region through trade liberalisation*. Macquarie University. Thesis. <https://doi.org/10.25949/19443308.v1>

⁴ *Jordan Free Trade Agreement, United States Trade Representative*. Available at: <https://ustr.gov/trade-agreements/free-trade-agreements/jordan-fta>.

especially in the same region, to follow the Jordanian approach towards improved relations with Israel; as such, an agreement would provide them with the dividends that would be achieved by Jordan. In addition, the US administration's policy is one of enlargement in the ME region, after the fall of the Soviet Union, as well as the confrontation of the Chinese trade expansion in the region.

However, a major issue is whether these political goals are compatible with the claimed benefits of free trade through this FTA. The US has achieved political gains to a great extent, yet Jordan has not benefitted either on political or economic fronts. Rather, Jordan has paid a heavy price both politically and economically. This raises the question of what Jordan gains from the FTA. Although Jordan has attained some benefits, the argument is that, overall, the FTA offers advantages that are more significant to the US. The issue with this outcome is that the economic rhetoric of the FTA is being used to silence the weaker partner of the FTA, while, in reality, the noneconomic interests of the stronger US party are being pursued. A greater focus on the non-economic factors at play can help shift the burden of free trade as an economic panacea away from the weaker partners in the FTAs.

Therefore, this paper directly addresses the following research question: To what extent the Jordan-US FTA driven by US geopolitical interests rather than mutual economic benefits, and how this disparity-affected Jordan's political and economic outcomes has. To answer this question, the study employs an analytical and doctrinal methodology, critically examining legal texts, policy documents, and empirical data to assess the agreement's economic claims against its political motivations and consequences. The goal of this research is to challenge the dominant economic efficiency narrative surrounding FTAs by demonstrating how political imperatives—particularly US foreign policy objectives in the Middle East—have shaped the agreement, often at Jordan's expense. The importance of this work lies in its shift away from purely economic analyses of FTAs, instead advocating for an integrated approach that acknowledges their political dimensions, particularly for developing countries coerced into unfavourable terms. The research gap identified is the lack of scholarly attention to the political underpinnings of FTAs, which are often overshadowed by economic justifications, leaving weaker parties like Jordan vulnerable to exploitation under the guise of free trade.

By bridging this gap, the paper aims to reframe FTA discourse to better account for geopolitical power imbalances.

This paper is structured into three parts. The first examines the purported economic justifications for FTAs, the second explores the failure to achieve these anticipated economic benefits, and the third argues that these shortcomings can be better understood by considering the political priorities of the US. It contends that only by integrating economic and political factors can the structure and outcomes of FTAs be fully explained. This analysis challenges the dominant narrative that FTAs are primarily instruments of economic efficiency, paving the way for a more nuanced approach that acknowledges the political and cultural needs of developing countries in trade agreements.

2. Claims Made to Justify the Jordan-US FTA

Following their accession to the World Trade Organization (WTO) and subsequent achievement of a certain level of trade liberalization, many nations pursued a trajectory beyond the confines of WTO regulations. This path aimed at attaining advanced stages of trade liberalization, ultimately aiming for the elimination of all trade barriers, including tariffs. Such endeavours were facilitated through bilateral arrangements, which established an intricate network of trade relations. These bilateral agreements intersected with various interests and privileges, underpinned by the economic justifications and perceived benefits of FTAs.⁵

In this paper, the focus revolves around Jordan's rationale for engaging in bilateral trade arrangements, particularly with the US—a formidable economic, political, and military powerhouse. We delve into the economic justifications underpinning these agreements, with a particular emphasis on those between Jordan and the US, to scrutinize the claimed benefits and implications for Jordan's trade policy and economic landscape.

2.1. Increase Market Access

The Jordan-US FTA is designed to eliminate customs duties and reduce or remove non-tariff barriers, offering Jordanian exporters preferential

⁵ Barton, J. H. (2006). *The Evolution of the Trade Regime: Politics, Law, and Economics of the GATT and the WTO*. Princeton University Press.

access to the massive US market. This access holds significant importance for Jordanian industries like textiles, clothing, and agriculture, which have previously encountered steep tariffs when exporting to the US. Through dismantling trade barriers, Jordanian goods can compete more competitively in the US market, potentially expanding their market share and export volume. This anticipated increase in trade was expected to bolster revenues and foster job creation in Jordan, particularly in sectors where the country holds a comparative advantage. However, as we reflect on the 24 years since the agreement's signing, the critical question emerges: Has Jordan truly reaped economic benefits from this arrangement?

The Jordan-US FTA resulted in imports trade diversion and expanded extra-regional exports, enhancing Jordan's trade flows and economic growth.⁶ The Jordan-US FTA offers economic benefits by integrating Jordan into global value chains, increasing exports, and providing flexible rules of origin for textile and garment industries.⁷

However, while the FTA aims to enhance trade relations, various factors influence its effectiveness. An example of the hurdles faced by Jordan is regarding market access and competition. The agreement presents both challenges and opportunities for Jordanian businesses regarding market access and competition. Many Jordanian small and medium enterprises struggle with inadequate financial resources and logistical challenges, hindering their ability to compete effectively in the US market.⁸

While the Jordan-US FTA has facilitated trade by reducing tariffs and creating market access opportunities, its benefits have not been evenly distributed among businesses, particularly small and medium enterprises (SMEs) in Jordan. One significant factor limiting Jordanian SMEs' ability to compete effectively in the US market is the structure of Jordan's

⁶ Taleb, Awad-Warrad., Murad, Ahmad, Al, Tarawneh. (2020). The Impact of Jordan Free Trade Agreements on Trade Flows. *International Journal of Business and Economics Research*, doi: 10.11648/J.IJBER.20200904.19

⁷ Shamel, Azmeh. (2015). Transient global value chains and preferential trade agreements: rules of origin in US trade agreements with Jordan and Egypt. *Cambridge Journal of Regions, Economy and Society*, doi: 10.1093/CJRES/RSV017>.

⁸ Mohammad, Alawamleh. (2023). Entrepreneurship challenges: the case of Jordanian start-ups. *Journal of Innovation and Entrepreneurship*, doi: 10.1186/s13731-023-00286-z

domestic financial system. Unlike their US counterparts, Jordanian businesses face limited access to credit, higher borrowing costs, and stringent collateral requirements, making it difficult to scale operations, invest in export-oriented production, or adapt to the US market demands.

In contrast, the US SMEs operate within a financial system that provides more accessible financing options, such as venture capital, government-backed loan programs, and competitive commercial lending terms.⁹ The US Small Business Administration (SBA) offers numerous financial assistance programs that enable American SMEs to expand and engage in international trade.¹⁰ These financial advantages give the US firms a competitive edge when operating under the FTA, not because the agreement is inherently flawed, but because financial infrastructure plays a crucial role in determining who can fully capitalize on trade liberalization.

From a comparative institutional perspective, scholars argue that financial system differences significantly influence trade performance.¹¹ Countries with well-developed financial markets and supportive credit environments enable firms to take full advantage of trade agreements, whereas those with constrained financial systems often see a concentration of trade benefits among larger firms with easier capital access.¹²

Thus, the key issue is not a fundamental flaw in the Jordan-US FTA itself, but rather the asymmetry in financial infrastructure between the two countries. Addressing these disparities through financial reforms, SME credit facilitation, and export-oriented funding programs would allow Jordanian businesses to better utilize the opportunities provided by the FTA.

⁹ Berger, A. N., & Udell, G. F. (2006). A more complete conceptual framework for SME finance. *Journal of Banking & Finance*, 30(11), 2945-2966.

¹⁰ Gu, Q., Karoly, L. A., & Zissimopoulos, J. M. (2008). Small business assistance programs in the United States: An analysis of what they are, how well they perform, and how we can learn more about them.

¹¹ North, D. C. (1990). *Institutions, Institutional Change, and Economic Performance*. Cambridge University Press.

¹² Demirgüç-Kunt, A., & Maksimovic, V. (1998). Law, finance, and firm growth. *The Journal of Finance*, 53(6), 2107-2137.

To further develop the argument, this paper examines infrastructure disparities, human resource constraints, and industrial environment challenges as structural barriers that limit Jordanian firms' ability to fully benefit from the Jordan-US FTA. These constraints create an uneven playing field, not because of deficiencies in the agreement itself, but also due to Jordan's economic and institutional conditions.

A key factor limiting Jordanian firms' ability to compete with the US firms under the FTA is the uneven development of infrastructure, including transportation, logistics, energy, and digital connectivity. Efficient supply chains are crucial for firms engaged in international trade, but Jordan faces significant logistical inefficiencies, including high shipping costs, customs delays, and limited cold storage facilities for perishable goods.¹³ These challenges disproportionately affect small and medium enterprises (SMEs), making it harder for them to meet the just-in-time supply chain demands of the US markets.

By contrast, the US firms benefit from a well-developed infrastructure network that facilitates seamless domestic and international trade. Highly efficient ports, highways, and supply chain technologies back the US logistics sector.¹⁴ Without comparable infrastructure, Jordanian exporters struggle with longer delivery times and higher costs, making them less competitive.

In addition, the digital infrastructure for e-commerce in the US improves e-commerce, while the inadequate Information and Communication Technology (ICT) infrastructure in Jordan limits the ability of companies to leverage online platforms for export. The US firms operate in a highly advanced e-commerce ecosystem, benefiting from reliable digital payment systems, strong cybersecurity frameworks, and widespread consumer trust in online transactions.¹⁵ Jordanian firms, by contrast, face limited digital payment adoption, cybersecurity risks, and consumer skepticism, which restricts their ability to expand into the US market through digital channels.

¹³ World Bank (2020). *Jordan Trade and Logistics Report*.

¹⁴ Hausman, W., Lee, H. L., & Subramanian, U. (2013). Global logistics indicators, supply chain performance, and trade competitiveness. *World Bank Policy Research Working Paper*.

¹⁵ OECD (2021). *E-commerce trends and policy considerations in the Middle East region*. Paris, France.

Also, human resource constraints and labor market challenges, Jordanian firms face structural labor market challenges, including high labor turnover, a shortage of skilled workers, and mismatches between educational output and industry needs. This lack of specialized skills prevents firms from adopting advanced production technologies, digital marketing strategies, and AI-driven business models, putting them at a disadvantage compared to the US competitors.

The Jordanian education system produces a high number of university graduates, but many lack technical and vocational skills aligned with market demands.¹⁶ Fields such as data analytics, AI-driven marketing, and precision manufacturing remain underdeveloped, limiting firms' ability to integrate modern business practices.

Furthermore, high labor turnover: due to low wages, weak job stability, and limited career progression, many skilled workers seek employment abroad, particularly in the Gulf region, exacerbating domestic skill shortages.¹⁷ In contrast, the US firms benefit from structured workforce development programs, government-funded upskilling initiatives, and labor mobility flexibility that allows them to maintain a steady supply of skilled workers.

Moreover, AI and marketing innovation constraints, in the US, AI-driven marketing strategies have transformed consumer engagement, giving firms a competitive edge through data-driven decision-making and personalized advertising.¹⁸ However, in Jordan, firms face barriers to AI adoption, including lack of expertise, high implementation costs, and consumer skepticism about data security. This limits their ability to leverage AI-driven market segmentation and digital branding, reducing their competitiveness in the US market. In addition to regulatory inefficiencies and bureaucratic hurdles.¹⁹

¹⁶ Al-Sheyab, M. (2022). The mismatch between higher education and labor market needs in Jordan: Causes and implications. *Middle East Journal of Education*, 15(2), 45-61.

¹⁷ International Labour Organization (ILO). (2020). *Employment challenges in Jordan: Skills mismatch and job quality issues*. Geneva, Switzerland.

¹⁸ Davenport, T., Guha, A., Grewal, D., & Bressgott, T. (2020). How artificial intelligence will change the future of marketing. *Journal of the Academy of Marketing Science*, 48(1), 24-42.

¹⁹ World Bank (2019). *Ease of Doing Business Report: Jordan Country Profile*.

In addition, the Jordanian pharmaceutical industry faces challenges. Despite its potential, Jordan's pharmaceutical sector suffers from export barriers, strict Food and Drug Administration (FDA) compliance requirements, and a lack of investment in research and development, making it difficult to compete with the US companies.²⁰

Similarly, Jordan's textile sector, a major beneficiary of the FTA, faces high production costs, outdated machinery, and difficulty meeting the US sustainability standards, limiting its ability to fully benefit from tariff exemptions.²¹

To sum up, the challenges faced by Jordanian firms in the US market are not due to flaws in the Jordan-US FTA itself but rather to structural gaps in finance, infrastructure, human resources, and business environment constraints. Additionally, the agreement has not played a significant role in enhancing market access for Jordanian firms, as many businesses continue to struggle with stringent regulatory requirements and competitive disadvantages. Solving these issues requires investments in digital and logistical infrastructure to improve trade efficiency, labor market reforms to bridge the skills gap and reduce turnover, and regulatory streamlining and SME support programs to enhance market competitiveness. These structural improvements would allow Jordanian firms to fully leverage the benefits of the FTA, ensuring a more balanced and competitive trade relationship.

2.2. Encouraging Foreign Direct Investment (FDI)

The Jordan-US FTA was expected to enhance Jordan's investment climate by providing American investors with increased certainty and transparency. In view of the preceding discussion, the aim to improve Jordan's access to the US markets by making Jordan's industries more attractive to the US companies seeking new opportunities is also difficult to achieve. In theory, this should have led to a significant inflow of FDI, particularly from the US, promoting technology transfer, skills development, and industrial modernization. However, the reality has not matched these expectations.

²⁰ Gharaibeh, B. (2021). Challenges and opportunities in Jordan's pharmaceutical industry: A policy perspective. *Jordan Journal of Business and Economics*, 7(3), 112-131.

²¹ Haloush, H. A., & Malkawi, B. H. (2008). The Implications of Trade Agreements between the US and Arab Countries with Particular Reference to Jordan: A Critique of the Current Legal Framework. *Sri Lanka J. Int'l L.*, 20, 175.

In spite of the anticipated benefits, the US investments in Jordan have not seen substantial growth. Several factors contribute to this outcome, including Jordan's declining position on the global FDI map, driven by challenges such as limited market size, slow economic growth, inadequate infrastructure, and concerns over political risk and corruption.²² These issues have made Jordan less appealing to foreign investors, particularly in comparison to other regions offering conditions that are more attractive.

This paper argue that despite the anticipated benefits of the Jordan-US FTA, the US investments in Jordan have not experienced substantial growth. Several structural and economic factors have contributed to this limited investment inflow, many of which persist despite the FTA's implementation. One of the primary challenges is Jordan's limited market size, which restricts domestic demand and economies of scale for foreign investors. With a population of approximately 11 million, Jordan offers fewer opportunities for large-scale production and distribution compared to larger regional economies. According to the World Bank²³, small market size remains a major barrier to attracting significant foreign direct investment, as investors typically seek larger consumer bases to justify long-term capital commitments.

In addition to market constraints, slow economic growth and structural challenges have further discouraged the US investors. Jordan's GDP growth has averaged between 2-3% annually, a rate insufficient to create the economic momentum necessary to attract large-scale foreign investments.²⁴ High public debt and fiscal constraints have also limited the government's ability to offer competitive investment incentives. Furthermore, Jordan continues to struggle with infrastructure deficiencies that hinder business operations. While the FTA has facilitated trade by eliminating tariffs, logistical barriers such as high-energy costs, inefficient transport networks, and weak digital infrastructure persist, raising the operational costs for potential investors.²⁵ Therefore, the US

²² Lee, Flamand. (2022). 5. Factors Affecting the Growth of Investment in Achieving Economic Development in Jordan - an Empirical Study. doi: 10.1007/978-3-031-08954-1_115

²³ World Bank (2023). *FDI Trends in Jordan*.

²⁴ IMF (2023). *Jordan Economic Outlook*.

²⁵ UNCTAD (2022). *Investment Policy Review: Jordan*.

businesses often prioritize investment destinations with well-developed industrial zones, strong supply chains, and reliable regulatory environments, areas where Jordan still faces significant gaps.

Beyond economic and infrastructural constraints, political risk and governance issues have contributed to Jordan's declining position on the global FDI map. Concerns over regulatory unpredictability, bureaucratic inefficiencies, and corruption have deterred long-term investment commitments.²⁶ Investors tend to favor stable environments with clear legal frameworks and strong enforcement mechanisms, and Jordan is ranking in global corruption and ease of doing business indices suggests that reforms are needed to improve investor confidence. Regional instability has further compounded these concerns, as foreign investors weigh geopolitical risks when selecting investment destinations.

Although the Jordan-US FTA successfully reduced trade barriers and facilitated market access, it did not directly address the structural investment constraints that continue to limit FDI inflows. Though the agreement created a legal framework for trade liberalization, it did not automatically translate into increased investments, as investors consider broader economic and political conditions before committing capital. Additionally, the US businesses looking to invest in the ME often prioritize regional hubs with more competitive infrastructure, lower operational costs, and stronger economic integration, such as Gulf countries or Egypt, despite Jordan's preferential trade access under the FTA. The absence of substantial investment incentives, coupled with Jordan's economic constraints, has limited the agreement's overall impact on FDI.²⁷

Furthermore, Political stability is widely recognized as a key determinant of FDI, as investors seek predictable and secure environments to minimize risks. In theory, Jordan's relative political stability compared to its neighbors should serve as a competitive advantage, making it a desirable destination for foreign investors. However, despite this stability, FDI inflows into Jordan remain modest, indicating that political stability alone is not sufficient to attract substantial foreign investment. Other

²⁶ Transparency International (2023). *Corruption Perceptions Index*.

²⁷ Saif, I. (2018). *The Jordanian Economy: Challenges and Reform Priorities*.

structural and economic factors, such as market size, regulatory frameworks, and economic growth rates, continue to play a critical role in shaping investor decisions.²⁸

Interestingly, some studies suggest that regional conflicts have had an unexpected positive impact on investment in Jordan, complicating the relationship between political factors and investment patterns. For example, the Syrian civil war (2011–2024) led to a large influx of refugees into Jordan, increasing demand for housing, consumer goods, and services. As a result, sectors such as real estate, retail, and manufacturing saw increased investment, particularly from Gulf investors seeking opportunities in relatively stable markets.²⁹ Additionally, the Jordanian government secured international aid and investment packages from the EU, the US, and the World Bank, aimed at supporting infrastructure development and job creation to mitigate the effects of the refugee crisis.³⁰

Similarly, Jordan's role as a regional security partner for Western allies has strengthened its ability to attract geopolitical investments. The establishment of special economic zones (SEZs) and industrial hubs, such as the Qualifying Industrial Zones (QIZs), benefited from geopolitical shifts, as Jordan positioned itself as a stable manufacturing hub amid instability in neighboring countries.³¹ These zones allowed Jordanian firms to export goods to the US duty-free, incentivizing investment in the textile and garment industries, despite broader challenges in the investment climate.

In conclusion, while Jordan's political stability has helped attract some investment, it has not been the decisive factor in significantly boosting FDI inflows. Regional conflicts have in some cases, created investment opportunities. However, to sustain long-term investment growth, Jordan should address underlying structural and economic barriers, ensuring that its attractiveness as an investment destination extends beyond short-term geopolitical shifts.

²⁸ World Bank (2023). *FDI Trends and Economic Growth in Jordan*.

²⁹ Al-Momani, H. (2016). *The Economic Impact of the Syrian Refugee Crisis on Jordan*.

³⁰ IMF (2019). *Jordan: Economic Stability Amid Regional Crises*.

³¹ Saif, I. (2018). *Investment Policies in Jordan: Opportunities and Challenges*.

This suggests that while trade agreements have potential, their success is heavily influenced by political and economic conditions, both domestically and regionally.³² Thus, the limited success of the FTA in boosting the US investments highlights the need to address not only economic barriers but also the broader political environment. Therefore, without a comprehensive approach that considers both economic and political factors, trade agreements may fall short of their objectives.

2.3. Economic Diversification

The FTA furthermore, endeavours to broaden Jordan's export base beyond its traditional sectors like textiles and clothing by facilitating trade across a broad spectrum of goods and services. This diversification is seen as pivotal in diminishing Jordan's reliance on a few export industries and fortifying its resilience against external shocks. However, the crucial question arises: Has Jordan effectively achieved this diversification, and has Jordan-US FTA helped alleviate the impact of economic shocks, particularly the global crises in 2008 and the COVID-19 pandemic in 2020, thereby yielding positive outcomes for Jordan's trade balance? Additionally, the agreement aims to foster the emergence of new export-oriented industries, such as information technology, pharmaceuticals, and professional services. Through capitalizing on these nascent sectors, Jordan seeks to leverage its skilled workforce and entrepreneurial talent to propel economic growth and innovation.

The signing of the agreement was expected to create a more dynamic and competitive economic environment in Jordan, opening new opportunities in export-oriented emerging technologies, pharmaceuticals, and professional services. However, despite initial optimism, evidence suggests that the FTA has harmed rather than benefited Jordanian interests. This paper inspects how the FTA has affected key industries in Jordan and argues that economic efficiency, as a justification for the agreement, has ultimately disadvantaged Jordan as the weaker partner. It further contends that the economic rationale for FTAs must be reassessed

³² Victoria, Pistikou. (2020). The impact of CEFTA on exports, economic growth and development. *International Journal of Business and Economic Sciences Applied Research*, doi: 10.25103/IJBESAR.133.02

to include non-economic political considerations that shape these agreements.

One of the anticipated benefits of the Jordan-US FTA was the growth of Jordan's export-oriented technology sector. The agreement facilitated greater access to the US markets, but in practice, Jordanian firms struggled to compete with the US technology firms, which had significantly more capital, expertise, and government support. Although a few Jordanian startups gained some traction, the overwhelming presence of US-based technology companies in the Jordanian market led to an imbalance that hindered local innovation. The expected influx of investment into Jordan's technology sector did not materialize at the projected levels, as the US companies prioritized strategic partnerships that primarily benefited their own interests. Consequently, Jordan remained a consumer of the US technological products rather than a robust exporter, illustrating the asymmetric impact of the FTA on emerging industries.³³

Moreover, before the FTA, Jordan's pharmaceutical sector was one of the country's strongest industries, with local companies exporting generic medicines to regional and international markets.³⁴ However, the agreement's intellectual property (IP) provisions, which exceeded WTO TRIPS requirements³⁵, imposed stringent patent protection rules that primarily benefited the US pharmaceutical giants at the expense of Jordanian producers.³⁶ These regulations severely restricted Jordan's ability to manufacture and export affordable generic medicines, delaying the availability of cost-effective alternatives and driving up drug prices.

³³ Al-Khalidi, A. (2018). *Jordan's Economic Challenges Under the FTA*. Amman: Jordan Economic Forum.

³⁴ El Said, M. (2010). *Public Health Related TRIPS-Plus Provisions in Bilateral Trade Agreements: A Comparative Study of Six Trade Agreements on Pharmaceuticals*. London: University of London.

³⁵ WTO TRIPS Requirements: Minimum global standards for IP protection set by the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) under the WTO.

³⁶ Abbott, F. M. (2011). *Intellectual Property Provisions of Bilateral and Regional Trade Agreements in Light of U.S. Federal Law*. Geneva: International Centre for Trade and Sustainable Development (ICTSD).

Prolonged patent monopolies granted to multinational pharmaceutical firms reduced market competition, forcing Jordanian consumers and healthcare providers to rely on expensive imported drugs rather than locally produced alternatives, placing a significant financial burden on both the government and citizens, particularly given Jordan's limited healthcare budget. Additionally, the agreement prevented Jordanian pharmaceutical companies from using clinical trial data submitted by brand-name manufacturers to expedite generic drug approvals. Even after patents expired, local manufacturers faced extended waiting periods before legally producing essential medications, exacerbating public health challenges.³⁷

Furthermore, the TRIPS-Plus³⁸ restrictions discouraged foreign direct investment in Jordan's pharmaceutical sector, as investors who once viewed Jordan as a competitive hub for affordable generic drug production sought opportunities elsewhere. As a result, the FTA weakened Jordan's once-thriving pharmaceutical industry, reducing its competitiveness and limiting its access to markets where it had previously excelled. Stricter IP laws in FTAs (TRIPS-Plus) disproportionately disadvantage developing countries, reinforcing global inequalities in pharmaceutical access and production.³⁹ Instead of fostering a competitive pharmaceutical industry, the agreement created a scenario where Jordanian firms struggled to compete against multinational corporations monopolizing essential medicines.

The FTA also promised enhanced opportunities for Jordan's professional services sector, including legal, financial, and consulting industries. However, while Jordanian firms gained theoretical access to the US market, in practice, the regulatory and structural barriers made it difficult

³⁷ Oxfam. (2007). *All Costs, No Benefits: How TRIPS-Plus Intellectual Property Rules in the US-Jordan FTA Affect Access to Medicines*. Oxfam Briefing Paper.

³⁸ TRIPS-Plus: Stricter IP rules that go beyond WTO TRIPS requirements, often found in FTAs, extending patent terms, data exclusivity, and limiting generic drug production. See, Khwaileh, K. M. (2025). Illicit Trade in Counterfeit Medicines: Challenges, Solutions, and a Case Study of Indonesia. *Journal of Indonesian Legal Studies*, 10(1), 165-210. <https://doi.org/10.15294/jils.v10i1.3692>

³⁹ El-said, M. (2010). *Public health related TRIPS-Plus provisions in bilateral trade agreements: a policy guide for negotiations and implementers in the eastern mediterranean region*. International Centre for Trade and Sustainable Development (ICTSD).

for Jordanian professionals to compete. Stringent licensing requirements, lack of mutual recognition agreements, and the dominance of the US firms in global professional services meant that Jordanian companies struggled to establish a presence in the US. Conversely, the US-based firms faced fewer obstacles in entering and dominating the Jordanian market.⁴⁰ As a result, the FTA led to an expansion of US influence in Jordan's service sector without reciprocating benefits for Jordanian professionals.

Beyond specific sectors, the broader economic effects of the FTA reveal a deepening trade imbalance between Jordan and the US. While Jordanian exports to the US increased, they remained concentrated in a few low-value sectors, such as textiles, which are heavily reliant on foreign labor rather than creating sustainable high-skilled employment for Jordanians. Meanwhile, Jordanian imports from the US expanded significantly, increasing the country's dependency on the US goods and services. The trade deficit widened, exacerbating Jordan's economic vulnerabilities rather than fostering long-term growth and competitiveness. These patterns demonstrate that the assumption of economic efficiency underpinning FTAs often ignores the structural disadvantages faced by the weaker partner.⁴¹

The justification for FTAs as mechanisms to promote economic efficiency often assumes that all parties benefit from liberalized trade. However, the Jordan-US FTA illustrates how such agreements can serve the interests of the stronger partner while imposing constraints on the weaker one. Jordan's limited bargaining power resulted in the imposition of conditions that prioritized the US economic and political interests over Jordan's developmental needs.⁴² The dominant discourse of economic efficiency silences critiques of the power imbalances inherent in FTAs, reinforcing a system that disproportionately benefits wealthier nations.

This analysis highlights that FTAs are not purely economic tools but also serve political objectives. Strategic interests, aiming to strengthen Jordan as a regional ally, drove the US-Jordan FTA. However, as US geopolitical

⁴⁰ Saif, I. (2020). *Jordan's Service Sector Under the US FTA: An Assessment*. Amman: Center for Economic Development.

⁴¹ World Bank. (2021). *Jordan Economic Monitor: Trade and Development*. Washington DC: World Bank.

⁴² Rodrik, D. (2018). *Straight Talk on Trade: Ideas for a Sane World Economy*. Princeton University Press.

priorities have shifted toward the Arab Gulf, Jordan's strategic importance—and the benefits it derives from the agreement—have declined. This underscores the need to evaluate FTAs beyond economic justifications, recognizing their role in reinforcing power imbalances. Jordan's experience demonstrates that the economic efficiency rationale has deepened trade imbalances and weakened key industries. To achieve fairer trade outcomes, policymakers must integrate political considerations into FTA evaluations and advocate for more balanced agreements that protect the interests of weaker partners. The following section examines the failure of the Jordan-US FTA to deliver its expected economic benefits.

3. The Failure to Achieve the Economic Gains of the Jordan-US FTA

The agreement was expected to foster economic growth, create job opportunities, enhance FDI and improve Jordan's trade balance. However, despite increased exports to the US, the agreement has failed to eliminate Jordan's trade deficit or significantly enhance economic development. The reliance on foreign labor in free trade zones and the limited expansion of high-value sectors have raised concerns about the real benefits of the FTA for Jordan's domestic economy. Several key factors contributed to this failure, including lack of capacity building, intellectual property rights constraints, and external economic shocks. Developing countries like Jordan often struggle to compete in global markets due to inadequate infrastructure, outdated technology, and a workforce lacking essential skills. Without targeted investments in capacity-building initiatives—such as vocational training, industrial development, and technology transfer—Jordanian industries have been unable to fully leverage the FTA's opportunities.⁴³ Additionally, stringent quality standards and international regulations have hindered Jordanian goods from gaining a competitive edge in the US markets. The FTA did not provide sufficient mechanisms to help Jordanian industries meet these requirements, limiting their ability to expand globally.⁴⁴ Addressing these

⁴³ Rodrik, D. (2018). *Straight Talk on Trade: Ideas for a Sane World Economy*. Princeton University Press.

⁴⁴ World Bank. (2021). *Jordan Economic Monitor: Trade and Development*. Washington DC: World Bank.

structural deficiencies is essential to ensuring long-term economic benefits from trade agreements.

Furthermore, TRIPS-Plus provisions have severely impacted Jordan's pharmaceutical industry by imposing extended patent protection and data exclusivity rules. These measures restricted Jordanian firms from producing affordable generic medicines, increasing dependency on expensive patented drugs from multinational corporations.⁴⁵ These constraints have not only harmed economic growth but also had significant public health implications, limiting access to essential medications.

External shocks, including regional conflicts and global economic crises, have further undermined the FTA's effectiveness. Jordan's economic growth has been hampered by geopolitical instability, such as the Syrian refugee crisis and disruptions in trade routes due to conflicts in neighboring countries.⁴⁶ High unemployment and increasing public debt have persisted despite the FTA, as external factors continue to destabilize the region's economic environment. The political motivations behind the agreement, including the US strategic interests in the ME, have also shaped its implementation. While the agreement strengthened the US-Jordan relations, it did not translate into substantial economic benefits for Jordan. Instead, it reinforced dependencies and economic asymmetries.⁴⁷

The Jordan-US FTA has not fulfilled its promise of delivering significant economic gains for Jordan. Structural weaknesses, restrictive intellectual property laws, and external economic challenges have limited its benefits, reinforcing trade imbalances rather than alleviating them. Moving forward, it is crucial for Jordan to reassess its trade policies, invest in capacity building, and advocate for fairer trade agreements that prioritize national economic interests over asymmetrical economic relationships. The next section analyzes the political objectives of the US in the ME region.

⁴⁵ World Health Organization (WHO). (2019). *The Impact of Intellectual Property Rules on Access to Medicines in Developing Countries*. Geneva: WHO.

⁴⁶ Gause, F. G. (2022). *The US and the Shifting Geopolitics of the Middle East*. Washington DC: Brookings Institution.

⁴⁷ Al-Khalidi, A. (2018). *Jordan's Economic Challenges Under the FTA*. Amman: Jordan Economic Forum.

4. Analysis of the Political Goals of the US in the Middle East Region

The paper argue that the Jordan–US FTA stands as a testament to the US' integration of political and economic priorities in its Middle Eastern policy framework. Contrary to the prevailing view that economic factors alone motivated the agreement, the Jordan–US FTA was primarily driven by a complex interplay of political and strategic objectives, including regional peace, stability, and counterterrorism. By fostering economic cooperation, the US aimed not only to boost Jordan's economy but also to support broader political goals, such as encouraging peace between Israel and its neighbouring states and creating a model of economic and political partnership in the region. This integrated approach positions the FTA as a critical part of US foreign policy in the Middle East, reflecting its broader goal of leveraging economic initiatives to achieve regional stability and security.

These goals include supporting Israel's sovereignty, defending friendly regimes, preventing the spread of nuclear weapons, and combating terrorist groups.⁴⁸

This paper debates that promoting peace between Israel and the countries of the region has been, and continues to be, one of the most serious political goals of the US. Also, the Jordan-US FTA is an integral part of the peace dividend extended to Jordan. This strategic initiative was designed to enhance economic and trade cooperation between Jordan and Israel, thereby fostering economic integration and promoting regional peace. The expectation was that by strengthening Jordan's economy through increased access to the US market and attracting foreign investments, the FTA would indirectly encourage closer economic ties between Jordan and Israel. This, in turn, would contribute to stability and peace in the region by creating mutual economic dependencies and shared prosperity. Understanding this political dimension is essential for comprehensively evaluating the motivations behind the FTA and its broader implications.

The Jordan-US FTA has had significant implications for peace between Jordan and Israel. The agreement has diverted trade and expanded additional regional exports, significantly impacting Jordanian trade

⁴⁸ William, L., Dowdy. (2022). The United States. doi: 10.4324/9781003298458-16>.

flows.⁴⁹ In addition, the Qualified Industrial Zone (QIZ) model, which aims to promote cross-border cooperation, has demonstrated the importance of economic ties in facilitating economic integration between Jordan and Israel, highlighting political or social implications, contrary to original intentions.⁵⁰ Moreover, the Israel-US FTA is the first of its kind and demonstrates the interconnectedness of security policy and economic considerations, making it a tool for US security policy, emphasizing the strategic importance of trade agreements in promoting peace and stability in the region.⁵¹ The FTA is a cornerstone of the new US foreign policy towards the Middle East, emphasizing economic development and cooperation over the use of force for pursuing national interests.⁵²

Another explanation for the US entering an FTA with a country such as Jordan is that the US post-Cold War foreign policy as the policy of the logical extension of containment after the collapse of the Soviet Union. The containment was rephrased as a defensive policy when communism posed a threat to open market democracies.⁵³ The end of the Cold War meant that the American ideals and objectives had lost their main adversaries, and it was a suitable time to consolidate and expand its control,⁵⁴ with no real rivals. This situation has led the US's policies to become overly focused on its own interests.

Also, a possible reason for the US entering into a FTA with Jordan the fact that the US is the world's most influential military force, with a massive economy and dynamic society, has made it the dominant global power, who can impose its strategies on others through persuasive and

⁴⁹ Khwaileh, Khaled (2019). The US-Jordan free trade agreement: benign or malign for the economic development of Jordan?. Macquarie University. Thesis. <https://doi.org/10.25949/19444238.v1>>.

⁵⁰ Tamar, Arieli., Yehudith, Kahn. (2019). Transforming Regions of Conflict through Trade Preferential Agreements: Israel, Jordan and the QIZ Initiative. *Peace Economics, Peace Science and Public Policy*, doi: 10.1515/PEPS-2018-0032>.

⁵¹ Christian, Schlegel. (2018). The Significance of Security Policy in the Israel-United States Free Trade Agreement. doi: 10.1007/S12399-017-0688-Z>.

⁵² Imad, El-Anis. (2010). *Jordan and the United States: The Political Economy of Trade and Economic Reform in the Middle East*.

⁵³ Litwak, R. (2000). *Rogue states and US foreign policy: containment after the Cold War*. Woodrow Wilson Center Press.

⁵⁴ Anthony Lake, *From Containment to Enlargement* (Johns Hopkins University School of Advanced International Studies, 1993) <<https://www.mtholyoke.edu/acad/intrel/lakedoc.html>>.

coercive diplomacy. The enormous potential of the US, in the absence of competitors, makes other countries willing to respect its policies to gain its friendliness through an alliance. With the absence of a real rival, there is no threat to the US's existence in the immediate future. However, the US does indeed need the cooperation of other countries, as there are still many other serious threats, such as terrorism, the proliferation of weapons of mass destruction and ethnic conflicts—especially in the Middle East region.

Thus, to enhance its security, as well as that of its allies and friends in the region, the US still needs to enter economic and trade alliances with the countries of the Middle East region. In addition to security alliances, the Jordan–US FTA is considered an example of the US's policy of enlargement in the Middle East region, as well as working against Chinese trade expansion in the region. Jordan plays an essential role in this regard, as it has long been considered an ally of the West.

In addition to the benefits promised due to the peace agreement between Jordan and Israel, which was summed up in achieving peace gains for Jordan. Therefore, that other Arab country are encouraged to follow suit. In this regard, the agreement did not succeed, as the exchange of diplomatic relations between Israel, the Emirates and Bahrain was for other motives. However, the relations have been strained by the outcome from October 7, where the war in Gaza and its aftermath spread to southern Lebanon. Therefore, the US' primary goal in the Jordan-US FTA was predominantly political, reflecting its broader political objectives in the ME.

In brief, the Jordan–US FTA underscores the US' approach of combining economic and political strategies to further its objectives in the ME. Far from being purely an economic endeavor, the agreement aimed to create a foundation for peace and stability, particularly by strengthening Jordan as a key regional ally and fostering economic ties that would benefit Jordan, Israel, and ultimately, regional stability. While the FTA succeeded in bolstering Jordanian trade and economic integration, its broader political aim of inspiring other Arab countries to engage with Israel met limited success, with only a few countries establishing ties, albeit under recent strain. The FTA illustrates the US's strategy of using economic cooperation as a platform for political influence,

counterterrorism, and regional security, providing insight into the deeper, interconnected motivations behind US trade policies in the Middle East.

5. Conclusion

In conclusion, the dynamics of FTAs between the US and Middle Eastern countries, such as the Jordan–US FTA, reveal a complex interplay between economic and political interests. Initially conceived as instruments for economic growth and regional integration, FTAs also serve as strategic tools for advancing US geopolitical objectives, particularly in the Middle East. The case of Jordan demonstrates how FTAs are not merely economic agreements but also reflections of shifting political alliances. Jordan's FTA with the US, while beneficial, may not be sufficient to preserve its strategic importance as the US increasingly prioritizes relations with other regional players.

The US–Gulf state relationship, rooted in shared security and economic interests, underscores how powerful states can reshape alliances based on evolving priorities, such as energy needs, market opportunities, and strategic competition with countries like Iran. As a Gulf state's influence grows due to their economic stability, vast oil reserves, and favorable geopolitical positioning, Jordan risks losing its privileged status, highlighting the conditional and fluid nature of international alliances.

This paper has argue that the Jordan-US FTA was not primarily aimed at strengthening bilateral economic relations. Instead, it served as a strategic tool for the US to achieve broader political objectives in the Middle East. The agreement sought to use economic liberalization as a means of exercising political control and influence in the region. By fostering economic ties with friendly Middle Eastern states, the US aimed to bolster its political presence and stability in the region. However, structural barriers and ongoing regional conflicts, most recently the October 7 events in Gaza and the war in southern Lebanon, indicating that the agreement was motivated more by politics than economics, limited the actual economic benefits to Jordan.

As Jordan's regional importance waned with the rise of new regional players like Saudi Arabia and the United Arab Emirates, American interest in Jordan shifted. This change in dynamics was further exacerbated by Jordan's stance on the Palestinian issue, which diverged

from US policies. Consequently, the political motives that initially drove the FTA diminished, leading to a cooling of relations between the two countries. The agreement, therefore, did not result in a lasting economic partnership but rather reflected the shifting geopolitical landscape and the US' strategic interests in the Middle East.⁵⁵ This underscores the complex interplay between political motives and economic agreements, and how changes in regional importance can impact bilateral relations

This paper reinforces the importance of analyzing FTAs as both economic and political arrangements. A comprehensive understanding of FTAs, particularly for developing countries, requires recognizing the political interests embedded within them. Therefore, by examining FTAs through this dual lens, policymakers and scholars can gain a clearer perspective on their purpose and potential, ultimately advancing economic integration while acknowledging the underlying geopolitical realities that shape these agreements.

Finally, this paper finds that the US geopolitical interests in the region significantly influenced the agreement. While the agreement initially enhanced Jordan's regional role and international alliances, shifts in the US strategic priorities have diminished Jordan's relative importance. This highlights the need to re-evaluate the FTAs beyond arguments of economic efficiency and consider their broader political implications, particularly for developing countries that may face unbalanced terms of trade.

Data Availability:

Certainly, any data will be made available upon reasonable request. However, no data was generated in this research, as some statistics available on official websites and previous studies were commented upon in this study.

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⁵⁵ Khaled Khwaileh, (2025). Jordan's Attempts in Promoting Economic and Political Integration within the Arab Region. *Arab Law Quarterly*. <https://doi.org/10.1163/15730255-bja10153>

Conflict of Interest Declaration

I formally declare that there is no conflict of interest—financial, personal, or academic—associated with the preparation and submission of this research. I confirm that I have no financial ties, personal relationships, or academic conflicts that could potentially influence the integrity, objectivity, or impartiality of this work.

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