CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 30, 2001

S. 643
A bill to implement the agreement establishing a United States-Jordan Free Trade Area

As ordered reported by the Senate Committee on Finance on July 26, 2001

SUMMARY

S. 643 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 the bill 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. Because enacting S. 643 would affect receipts, pay-as-you-go procedures would apply. CBO has determined that S. 643 contains no private-sector or intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 643 is shown in the following table.

	By Fiscal Year, in Millions of Dollars				
	2002	2003	2004	2005	2006
CHANGES IN REVENUES					
Estimated Revenues	-2	-3	-3	-4	-4

BASIS OF ESTIMATE

Revenues

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 year ten 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 U.S.—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.

Spending Subject to Appropriation

S. 643 would authorize the appropriation of $100,000 for the Department of Commerce to pay the United States' share of the costs of the dispute settlement procedures established by the agreement. CBO estimates that implementing this provision would cost the same amount, subject to the availability of appropriated funds.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up procedures for legislation affecting receipts or direct spending. The net changes in governmental receipts that are subject to pay-as-you-go procedures are 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										

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

The bill contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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