

# The Implications of the New US Tariffs on Jordan's Economy and Workers





# Contents

<b>Introduction.....</b>	<b>4</b>
<b>Chapter One: Legislation Related to Child Labor .....</b>	<b>9</b>
International Legal Framework to Reduce Child Labor .....	9
National Legislation Related to the Prevention of Child Labor: .....	13
Labor Law No. 8 of 1996 and its Amendments:.....	17
Penal Code No. 16 of 1960 and Amendments: .....	20
Anti-Trafficking Law No. 9 of 2009 and its Amendments:.....	22
Protection of Juveniles Regulation No. 36 of 2024.....	30
<b>Chapter Two: Practical Application of Child-Related Cases.....</b>	<b>32</b>
First: Statistics on Child Labor Cases.....	32
Second: Analysis of a Set of Child Labor-Related Issues: .....	34
Section One: Labor Violations Committed Against Children.....	34
Second Branch: Child Begging as the Worst Form of Child Labor.....	61
Section Three: Human Trafficking and Child Exploitation Issues: .....	70
<b>Results of the Study .....</b>	<b>91</b>
<b>Recommendations .....</b>	<b>96</b>

The decision to impose new US tariffs on Jordanian exports represents a significant economic challenge for the Kingdom, especially given Jordan's heavy reliance on foreign trade, particularly with the US market.

The 20% increase imposed on Jordanian exports to the US market will lead to higher costs for Jordanian products, making them less competitive compared to products from other countries. This decision places companies operating in Jordan, especially foreign-owned ones, under considerable pressure, potentially pushing some to downsize or shut down their branches.

The anticipated decline in production and exports is expected to result in the loss of thousands of jobs in the garment and textile sector. Preliminary estimates suggest that a 20% to 30% drop in exports could lead to the loss of between 10,000 and 15,000 direct jobs. This impact will particularly affect women, who make up more than 60% of the workforce in this sector.

In the long term, this decision threatens to worsen unemployment rates in Jordan, especially among non-university-educated youth who heavily rely on the garment and textile sector for job opportunities.

The impacts also extend to women's economic empowerment programs and the Sustainable Development Goals—particularly Goal 8, which focuses on decent work and economic growth, and Goal 5, which targets gender equality. Introduction

## Introduction

In a move that sparked considerable controversy, former U.S. President Donald Trump announced the imposition of new tariffs on several countries, including Jordan. This decision has potentially significant economic consequences for the Jordanian economy, which heavily relies on foreign trade, especially with the United States.

The imposition of these tariffs on Jordanian exports raises concerns and underscores the need for clarifications from Washington regarding the nature of this decision and its alignment with the Free Trade Agreement signed between the two countries in 2000, which came into effect in 2001 and contributed to enhancing economic cooperation. It is also crucial to conduct a comprehensive study on the impact of this decision on Jordan's Economic Modernization Vision, which aims to raise the value of Jordanian exports to 5 billion USD by 2033. In this context, there are growing concerns about the potential impact of these tariffs on clothing exports, which are among the most prominent components of trade with the United States.

## The Importance of the U.S. Market for Jordanian Exports

The Free Trade Agreement between Jordan and the United States is considered one of the most important economic pillars that has supported the growth of Jordanian exports to the U.S. market. It has contributed to exempting most Jordanian products from customs duties, thereby enhancing their competitiveness. According to statistics, the value of Jordan's exports to the United States in 2024 reached approximately USD 3.4 billion, a notable increase of 15.4% compared to 2023. These exports were concentrated in key sectors, including garments and textiles (USD 1.75 billion), jewelry and precious stones (USD 900 million), fertilizers (USD 130 million), pharmaceuticals (USD 90 million), and machinery (USD 80 million). These figures underscore the importance of the agreement in supporting the Jordanian economy and diversifying income sources. However, any political or economic decision by the U.S. administration, particularly policies that may affect the Free Trade Agreement, could have significant economic repercussions for Jordan.

Such decisions could undermine the competitiveness of Jordanian exports, posing challenges across various sectors, especially those reliant on the U.S. market. Therefore, it is crucial for the Jordanian government to work toward enhancing economic diversification and expanding trade partnerships with other countries. This would reduce dependence on a single market and increase the national economy's resilience to external changes.

The garment and textile sector, which employs approximately 77,730 workers, 27% of whom are Jordanians while the remaining 73% are migrant workers primarily from South and East Asia, is the backbone of Jordan's exports to the United States, accounting for around 79% of total exports to the U.S. It is worth noting that most of these products are manufactured by foreign companies operating in Jordan's free zones, benefiting from the investment incentives provided by the government. These companies are a major source of employment, providing thousands of jobs for Jordanians and contributing significantly to the national economy.

## Tariffs and Their Impact on Companies and Workers in Jordan

The U.S. administration has imposed a 20% increase on Jordanian exports to the American market. This increase will raise the cost of Jordanian products in the U.S., making them less competitive compared to products from other countries. Foreign companies operating in Jordan may face considerable challenges as a result of this decision, as reduced demand for their products could force them to scale down operations or even shut down some branches.

The economic crisis resulting from these tariffs will not only impact foreign companies but will also reverberate throughout the Jordanian economy. A decline in production and exports is expected to lead to the loss of thousands of jobs provided by these companies, thereby increasing unemployment rates and placing additional pressure on the Jordanian government to find urgent solutions.

Preliminary estimates indicate that any decline of between 20% and 30% in exports could result in the direct loss of between 10,000 and 15,000 jobs in the garment and textile sector. This would have a significant impact on factory workers, artisans, production technicians, and supply chain employees.

This impact is particularly pronounced among women, who represent over 60% of the workforce in this sector, in addition to migrant women workers from countries such as Bangladesh, Sri Lanka, India, and Nepal, who are employed in factories within the Qualified Industrial Zones (QIZ). Job losses among these groups could lead to severe economic and social crises, especially among the most vulnerable populations—underscoring the urgent need for measures to support affected groups and safeguard their economic and social stability.

In the long term, the impact centers on access to job opportunities—particularly for non-university-educated youth. The garment and textile sector, among others, plays a significant role in reducing unemployment rates within this demographic. However, any decline in this sector places additional strain on an already overcrowded labor market. Moreover, this sector serves as a key platform for women’s economic empowerment programs. Many governmental and international initiatives aim to enhance the participation of women from underprivileged communities by providing sustainable employment opportunities in this field. A downturn in the sector’s performance could negatively impact efforts to advance women’s economic empowerment and hinder progress toward increasing female participation in the labor market.

In addition, the repercussions of this decline extend to the Sustainable Development Goals, particularly Goal 8, which promotes decent work and economic growth, and Goal 5, which focuses on gender equality. The resulting delays in achieving these goals pose a setback to inclusive and sustainable development.

## Contradictions in Trade Policies Between Jordan and the United States

It is noteworthy that Jordan is among the countries that offer substantial trade facilitations for American products, including granting customs exemptions aimed at strengthening bilateral trade relations. However, the recent decision by the White House to impose new tariffs was justified by claims that Jordan levies a 40% tariff on U.S. goods exported to its market—an allegation that warrants thorough review.

This contradiction in trade policies highlights a disconnect in the understanding of the economic relationship between the two countries. On one hand, Jordan seeks to enhance trade cooperation with the United States by offering preferential treatment to American goods; on the other hand, the U.S. administration enacts decisions that may undermine this cooperation and harm shared interests.

## Violation of Trade Agreements: Legal and Commercial Implications

Unilaterally raising tariffs, without a clear legal justification, may constitute a breach of trade agreement terms. Such actions open the door for affected countries to file formal complaints with the World Trade Organization (WTO), as they are seen as violations of international trade rules. Furthermore, this approach may provoke retaliatory responses from trade partners, including the imposition of counter-tariffs or other punitive economic measures.

Trade wars arising from such decisions are not merely economic disputes; they are diplomatic crises that impact political relations between countries. A prominent example of this is the trade war between the United States and China during Donald Trump's presidency, which caused significant disruptions in global markets.

## Presidential Powers: The Ability to Modify Trade Agreements

The U.S. president holds broad powers in the realm of trade policy, but the extent of their ability to amend or terminate agreements largely depends on the type of agreement:

1. **Executive Agreements:** These agreements are made under the president's direct authority, meaning the president can withdraw from them unilaterally without the need for congressional approval.
2. **Congressional-Executive Agreements:** Such as the North American Free Trade Agreement (NAFTA), which was later replaced by the USMCA. Withdrawing from these agreements requires formal notice and may face strong opposition from Congress.
3. **Free Trade Agreements:** These agreements require congressional approval to be canceled. However, the president can partially suspend them by imposing tariffs or withdrawing from certain commitments.

These powers provide the president with significant flexibility in making decisions that could have far-reaching consequences, but at the same time, they limit the president's ability to act unilaterally in certain cases.

## Previous Examples: Trump's Decisions and Their Impact

During Donald Trump's presidency, the world witnessed several bold decisions that directly affected international trade:

1. **Imposing Tariffs on China:** Citing national security and the protection of American industries, Trump imposed heavy tariffs on Chinese imports. This decision led to a trade war that impacted the global economy and provoked retaliatory responses from China.
2. **Withdrawal from the Trans-Pacific Partnership (TPP):** In 2017, Trump withdrew from this multilateral agreement, which aimed to enhance trade among Pacific Rim countries.
3. **Renegotiating the NAFTA Agreement:** Instead of a full withdrawal, Trump chose to renegotiate the agreement and replaced it with the USMCA with Canada and Mexico.

These examples highlight how unilateral decisions can lead to profound changes in the international trade system, whether by creating crises or reshaping economic relationships.

Unilaterally raising tariffs can lead to complex diplomatic and trade crises, forcing affected countries to face difficult choices, ranging from retaliatory responses to resorting to international legal channels such as the World Trade Organization (WTO). As for the president's prerogatives, they grant the ability to suspend or amend certain trade agreements, but the implementation of those resolutions requires complex legal and diplomatic procedures, especially in the case of congressionally approved conventions.

Therefore, when confronted with such decisions, governments must carefully review trade agreements to assess the potential impact and legal validity of the decision. Additionally, the response should be carefully considered to avoid escalating the conflict and entering into a trade war that could have catastrophic consequences for both the domestic and global economy.

## Available Options for Jordan

In light of these challenges, the Jordanian government must take urgent steps to address the implications of the new tariffs. Among the available options are:

1. Jordan could enter into direct negotiations with the United States to reconsider these tariffs or reach new agreements that mitigate their negative impact.
2. Given the Jordanian economy's heavy reliance on the U.S. market, efforts should be made to open new markets in Europe, Asia, and Africa to compensate for any potential losses.
3. Additional incentives should be provided to companies operating in the textile and apparel sectors to ease the burden resulting from the new tariffs.
4. Investing in the development of local industries and enhancing their competitiveness can help reduce reliance on foreign markets.

## Conclusion

The decision to impose new tariffs by the U.S. administration poses a significant challenge to the Jordanian economy, especially as the Kingdom faces many other economic challenges. Addressing this crisis requires well-thought-out strategies and effective policies focused on protecting national interests and enhancing the ability of the Jordanian economy to adapt to international changes.



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