

## **HOW TO BENEFIT FROM THE FREE TRADE AGREEMENT(FTA)**

### **Your Gateway to the U.S. Markets**

#### **How to Benefit from the Agreement**

The FTA targets three groups, which are mentioned throughout the “Trade in Good” and “Trade in Services” sections:

Exporter – A producer, manufacturer and/or service provider

Importer – A producer, manufacturer and/or service provider

Investor – A producer, manufacturer and/or service provider

Subject to each Party’s local rules and regulations, there are no differences in the rights and responsibilities of any of these groups. Both Parties expressed commitment to enforce the National Treatment and Most Favored Nation (MFN) principles.

#### **To Benefit from the Agreement in Trade in Goods**

Question: What steps should one take if one is classified in any of the following categories:

1. Producer / Manufacturer Operating as an Exporter
2. Producer / Manufacturer Operating as an Importer
3. Producer / Manufacturer Operating as an Investor

Answer:

#### **As an exporter, one should take the following steps:**

1. Identify the number and classification of the product in accordance with the Harmonized System (HS) Code. The HS is an international schedule for the classification and categorization of products in accordance with rules universally adopted under the Harmonized System Agreement on Product Classification and Coding. The classification of products in these schedules depends on the manufacturing value addition, which include the following: raw materials, semi-manufactured products, and finished products. Finished products include livestock, natural resources, and industrial goods. The schedule comprises of 21 sections and 99 chapters.
2. It is important to refer to the U.S. Tariff Reduction Schedules and their annexes to identify the status of the product targeted for export to the U.S. The ‘status’ of the product refers to the identification of the tariff category under which the product falls, the applicable tariff rate, the timeframe for reduction, and if there are any quantitative, qualitative, or seasonal restrictions applicable to the product.
3. Devise a plan to address non-customs barriers to exporting, such as quotas, additional local fees, or technical standards.
4. Study the American market and its marketing requirements.
5. Benefit from available export support to financing programs, which will be eliminated by 2005.

As for the producer/manufacturer who exports raw or primary materials for U.S.-based manufacturing, one must study the possibility of exporting the required materials to the United States in order to maximize one's tariff reduction benefits under the FTA.

**As an importer, one should take the following steps:**

1. It is important to refer to the Jordanian tariff reduction schedules and their annexes to identify the status of the product to be imported. Jordanian tariff schedules include one rate of duty only. That is the only rate of duty applicable to products imported into Jordan, in addition to the Sales Tax. The Jordanian tariff system is divided into the following six groups: Zero, 5%, 10%, 15%, 20%, and 30%. This division excludes tobacco and alcoholic beverages, which are subject to tariff rates ranging between 50% and 180%. It is noteworthy that a number of products fall subject to qualitative or seasonal duties during certain times of the year and under certain circumstances allowed by the WTO.
2. In addition to tariff duties, goods imported into, or manufactured inside, Jordan is subject to Sales Tax. This is a local tax that should not be used to discriminate between Jordanian and foreign products. All goods are subject to the same tax, which is 13% calculated from the value of the product after adding the rate of customs duties, but with the exception of:
  - A- Goods exempted from the Sales Tax in accordance with Schedule (1) annexed to the Sales Tax Law.
  - B- Goods subject to 20% Sales Tax in accordance with Schedule (2) annexed to the Sales Tax Law.
  - C- Goods subject to qualitative sales tax according to type, weight, size, or unit in accordance with Schedule (3) annexed to the Sales Tax Law.

Certain goods are subject to an "Additional Sales Tax" ranging between 14% and 16% for some electrical goods, and between 10% and 50% for salon cars depending on engine capacity.

3. Identify if there are quantitative or seasonal restrictions on imported goods.
4. Identify if the product is exempted from the Sales Tax, (knowing that these schedules are continuously reviewed.)

As for the importing producer / manufacturer, who imports raw or primary materials into Jordan, one should study the possibility of importing the required materials from the United States, in order to benefit from the tariff reductions under the FTA and for facilitating the accumulation of the 35% as a minimum content for local value additions as would be stated in the certificate of origin.

**As an investor, one should take the following steps:**

An investor is classified into three groups:

1. Existing investor.
2. Existing investor looking to expand or restructure with an aim to explore new opportunities.
3. New investor.

The required steps applicable to all groups include:

1. Identify the product to be produced (one could refer to the schedules and their annexes between the two countries in order to determine the status of the product).
2. Identify the location of investment in within Jordan or at any Qualified Industrial Zone (QIZ).
3. Identify a U.S. partner, if necessary. Ensure that one benefits from the new technology transfer process, modern management approaches, local manpower training, and the identification of international distribution channels of the targeted product under the targeted partnership.

### **To Benefit from the Agreement in Trade in Services**

One should refer to the relevant schedules of commitment on liberalizing services for both countries.

Exporter: One should refer to the U.S. schedules on liberalizing services.

Importer: One should refer to the Jordanian schedules on liberalizing services.

Investor: This depends on the target country and the laws for the particular sector.

As for the terms used in the schedules on service liberalization that are applicable to the mode through which the service is provided, these are:

None: Refers to no existing restrictions prohibiting the provision of services through the applicable mode.

Unbound: Refers to no existing commitment by the respective country to liberalize the targeted service and the applicable mode of the service, provided that transparency requirements are met.

However, if there were any conditions or requirements, these need to be stated to the applicable service and mode of such service in the schedules.