

# **The Jordan-United States Free Trade Agreement**

Your gateway to the U.S. market

## **Introduction**

U.S. Jordanian trade exchange started in 1941, and in 2000 Jordanian imports from the U.S. reached US\$ 221 million while exports reached US\$ 45 million.

Jordanian exports to the U.S. comprised of apparel and related products, precious and semi-precious stones, precious metal, leather goods such as belts, travel cases and handbags. Jordan has also exported art and ancient products, books, newspapers, pictures, other printed materials, publications, and hand designs. Jordan was able to find a market in the U.S. to export carpets, rugs, mats, other textile materials, essences, perfume extracts, and cosmetic preparations.

As for Jordanian imports from the U.S., these were mainly in seeds (wheat, rice, and barley), boilers, manual and automatic tools and equipment, sound and recording equipment, optical equipment, photographic and cinematographic equipment, testing and measurement equipment, aircrafts, automobiles, tractors, ships, boats and parts thereof, tobacco and tobacco substitutes, wood products, cellulose products, fats and oils, animal and vegetarian oils, fat preparations, furniture, products for beds, pillows and products thereof, lighting equipment, and pharmaceutical products.

Both countries have concluded many agreements over the past five years with the objective of developing trade and investment opportunities between both countries before the Free Trade Agreement (FTA) was signed on October 24, 2000. The FTA put clear rules to organize and develop trade between both countries in a bid to serve both countries' interests in liberalizing and expanding trade. The two countries have also agreed to remove technical barriers and quantitative restrictions to encourage economic activity, and increase investment and development opportunities in both countries.

## **The Free Trade Agreement**

The agreement aims at establishing a free trade area between both countries through liberalization of trade in goods and services and facilitating the movement of goods and normal persons. This includes equal commitments by both sides in relation to environmental protection, labor rights, intellectual property rights, electronic commerce, protection of emerging industries, and a mechanism for dispute settlement.

The Agreement reaffirms the commitments of both sides under existing bilateral and multilateral agreements, including the Marrakash Agreement establishing the WTO. In this respect, the Agreement does not change the legal and international commitments either side has made to the international community. In other words, neither party will grant a product, a service, a supplier, or service provider better treatment than it would grant under this agreement.

Each party grants National Treatment to the products, services, and the suppliers of such products and services of the other party. In other words, both parties refrain from any act of discrimination except for the stipulation of the schedules annexed to the Agreement. Any other measure contrary to the schedules would be documented to ensure the principle of transparency in the agreement.

As an example of not applying the principle of National Treatment is where either party does not grant the other party's goods and services and their suppliers the same treatment granted to its local goods and services and their suppliers.

The Agreement is in force as of the first day of January of the following year. However, if the Agreement goes into force on a day different from the first of January, the clause referring to the "first year" refers to the period between the date the Agreement goes into force and the end of the calendar year. The application of tariff reductions in the relevant schedules by both parties is effective on the date the Agreement goes into force.

**Free Trade in Goods**

Trade in goods originating from the territory of the other party is free of all restrictions and controls impeding their flow between both countries. Customs duties will be reduced gradually and on the principle of reciprocity until a zero-tariff, free trade area between both nations goes into force.

Customs Tariffs will be reduced and goods freed from any quantitative or seasonal restrictions on all agricultural and manufactured or non-manufactured goods.

The schedule of reductions that will be implemented gradually in accordance with the principle of National Treatment reads as follows:

Group	Rate of Customs Tariff	Number of Years before a Complete Exemption
1	> 0 < 5%	Equally divided over two years
2	> 5 < 10%	Equally divided over four years
3	> 10% < 20%	Equally divided over five years
4	> 20%	Equally divided over 10 years

The Agreement does not exempt any product from tariff reductions, but introduced special arrangements for the pattern of reductions and distributed such reductions over the timeframe agreed between both sides. The products that were subject to such an arrangements were considered sensitive products for both sides, such as apples, poultry, tobacco, automobiles, and alcohol. Both sides have agreed to classify other groups of products as priority groups for each side, which aimed at expediting the period of eliminating all restrictions and removing customs tariffs on all these products.

Jordan maintained the highest tariff ceiling pertinent to tariff reduction schedules agreed to between both countries and in accordance with Jordan's commitments to the WTO. This is in addition to maintaining privileges under the GSP, which includes folklore handicraft products, such as carpets, rugs, and woolen and other embroideries. As for the characteristics of access to the U.S. market for such group of GSP-eligible products, these are duty exempted products and are not subject to any quantitative restrictions, an this privilege is granted to all other developing countries.

Both sides were obligated not to impose a new customs duty or a quantitative restriction on imports from product originating from either side if it is stipulated in the Agreement. In other words, a new duty or restriction is applicable only in cases where either side wishes to

protect an emerging national industry, or that dumping of a specific product has been recorded. The period permitting such actions has been set at 10 years from the date the Agreement goes into force if the industry is an emerging industry, and 4 years if a dumping case has been identified.

The FTA maintained the privileges of the Qualified Industrial Zones (QIZs) Agreement. In other words, the Agreement does not cancel such QIZ privileges pertaining to rights of free duty access to the U.S. market.

**Rules of Origin**

The “Rules of Origin” Term only applies to all products. All industrial, agricultural, and processed agro products are subject to the Rule of Origin provisions in the Agreement. Services are not subject to these provisions. Rules of Origin are the systems of identifying the values and rates of local additions or inputs in a manufactured product to make the product eligible for “Made in Jordan or in the U.S.” As for the rate of local value added input, the product must prove at least 35% local Jordanian value-added input, or 20% of local Jordanian input and 15% of U.S. origin input.

**Free Trade in Services**

Trade in services is different from trade in goods. Services are invisible, and unlike goods, cannot be stored.

Both countries have liberalized trade in services in an aim to support economic cooperation opportunities. Schedules of commitments include the largest number of basic and related services to distinguish their commitments under the WTO from those under this Agreement. Both countries have basically relied on their commitments under the WTO, in addition to liberalizing additional services that were not part of the agreement.

Both countries have agreed to adopt transparent lists and to acknowledge the required qualifications for services providers, encourage competition, regulate and control monopoly, in addition to commercial practices impeding competition.

The terms “services” include a large number of services, but specifically the following 12 services sectors:

1	Business Services (including professional and computer services)	7	Financial (insurance and banking)
2	Telecommunications	8	Health
3	Construction and Engineering	9	Travel and tourism
4	Distribution	10	Recreational, Cultural, and Sports
5	Education	11	Transportation
6	Environment	12	Any other services not elsewhere classified
NOTE: The above classification of services is in accordance with the WTO			

Removing restrictions and facilitating access to markets liberalized trade in services. Both countries have agreed to grant services and providers of these services the rights of National Treatment in the Agreement. Jordan considered that the U.S. service provider is eligible for “reciprocal treatment” in a number of specific sectors.

In the Agreement, Jordan and the United States have agreed to liberalize the four modes of supply of services between them, encourage the establishment of joint services projects, and to permit full ownership of a services project by the nationals of either country unless such a permission violates local laws governing the operations of the respective sectors. Service commitments have included the related services in the 12 known sectors.

A Jordanian services provider enjoys almost full access to the U.S. markets in all services sectors.

The four modes of supply are:

The Four Modes of Supply	
Supply of services at the international level is conducted using the following modes	
1	Cross Border Supply
2	Consumption Abroad
3	Commercial Presence
4	Movement of Natural Persons

Jordan’s commitments to liberalize services were meant to provide the U.S. service provider with the opportunity to invest and compete in the following services:

- Health and Education
- Tourism and Conferences
- Research and development, printing and Publishing
- Sight and sound media, courier services, transportation, and railroads.
- Specialized and new financial and banking services

**Intellectual Property Rights (IPR)**

Both sides committed to a two-year grace period in the Intellectual Property Rights Section of the FTA. Measures of IPR protection covers:

- Copyrights
- Performers and Sound Recordings
- Process and Product Patents
- New Plants Types
- Trade Secrets
- Industrial Property, including Industrial Designs, Printed Circuits, and other Designs
- Trade Marks and Service Marks
- Geographical Indicators

**New Commitments in the Agreement**

Electronic Commerce: Both sides signed a Joint statement and committed not to impose taxes on electronic transmissions.

Environmental Protection: Both sides committed to refrain from violating national environmental protection laws and regulations.

Labor: Both sides committed to honor international agreements concerning child labor, minimum wage standards, and occupational safety.

Visas: Both sides committed to honor local or prevailing laws and regulations governing issuance of visas, including capital investor visas.

### **Opportunities in the Agreement**

Both sides agreed to cooperate and remove impediments to encourage further flow of goods and services, including technical assistance, joint committees / commission. Both sides also agreed to exchange views and experiences, and to implement a dispute settlement mechanism between both parties.