

Us jordan free trade agreement

Law



The FTA with Jordan Signed on October 24, 2000, the U. S. -Jordan FTA was the first such accord with an Arab state and is considered a template for future agreements. It calls for the elimination of all tariff and nontariff barriers to bilateral trade for r virtually all industrial goods and agricultural products within ten years. The agreement has had a significant effect on economic exchange between the two countries: Jordan exports to the United States jumped from \$31 million in 1999 to \$674 million in 2003; U.

S. investments in Jordan were up to more than \$80 million by December 2004 and are expected to exceed \$180 million next year; and American participation in Jordanian qualified industrial zones has encouraged Jordan's strongest engine of job growth, helping to create an estimated 35, 000 jobs in these areas since their inception in 1999.

The treaty was held up for some years by a dispute e in the United States about what labor and environmental provisions were appropriate for a FTA; the treaty negotiated by the Clinton administration only called on Jordan to enforce its own labor and environmental laws, without requiring any change in those laws unless needed to meet international agreements Jordan had signed. OVERVIEW: TARIFFS The FTA will eliminate all tariff barriers on virtually all goods traded between the United States and Jordan within ten years.

However, not every export of the United States or Jordan will qualify for this duty-free treatment. Under Article 2 of the FTA, the United States and Jordan has agreed to eliminate existing tariffs only on " originating goods of the other Party". Goods must qualify under the Rules of Origin in order to take advantage of the FTA. Annex 2. 1 of the FTA defines five general staging <https://assignbuster.com/us-jordan-free-trade-agreement/>

categories, “ A” through “ E”, which covers the majority of products. Tariff reductions of categories “ A” through “ E” will occur in four stages: Category Tariffs will be eliminated over: A Two years (50% reduction per year)

B Four years (25% reduction per year) C Five years (20% reduction per year)

D Ten years (10% reduction per year) E World Trade Organization duty elimination Commitments The FTA also defines special staging categories, “ F” through “ M”, which covers a select number of products. Products under special staging categories include certain alcohol and textile products, generalized system of preference (GSP) exports, agriculture quota-class goods, poultry, apples, and cars. Products under the special staging categories will experience either an accelerated reduction of tariffs or a delay in reduction.

Jordan’s Tariff Schedule and the United States’ Tariff Schedule, which are incorporated into the FTA, specifically explain the special staging categories. The FTA is now in its second year of tariff reductions. Year one reductions began on December 17, 2001 and year two reductions went into effect on January 1, 2002. OVERVIEW: TRADE RELATED ENVIRONMENT Article 5 of the FTA addresses the issues of environmental laws. Seeking to protect and preserve the environment, each country affirms that neither will waiver nor relax their current environmental laws.

Furthermore, the country agrees to “ provide for high level of environmental protection and to strive to continue to improve” their environmental laws. The United States and Jordan also issued a Joint Statement on Environmental Technical Cooperation. Under the memorandum, the United States and Jordan will establish a Joint Forum on Environmental Technical Cooperation, <https://assignbuster.com/us-jordan-free-trade-agreement/>

which will regularly discuss environmental priorities, and to work jointly to enhance levels of environmental protection. OVERVIEW: SERVICES

Article 3 of the FTA provides for liberalization of bilateral trade in services between the United States and Jordan. With the liberalization of trade in services, United States companies will have greater access to Jordanian service industries, especially tourism, transportation, health, financial, education, environmental, business, communications, distribution and recreational/cultural services. The liberalization of trade between the United States and Jordan is based upon their commitments to the General Agreement on Trade in Services (GATS) and as specified under Annex 3. 1: Schedule Services.

OVERVIEW: ELECTRONIC COMMERCE Article 7 of the FTA states that the United States and Jordan shall seek to refrain from “ deviating from its existing practice of not imposing customs duties on electronic transmissions and imposing unnecessary barriers on electronic transmissions, including digitized products. ” United States and Jordan also issued a Joint Statement on Electronic Commerce. Under the joint statement, Jordan and the United States will cooperate in:

- Making it easier to use the Internet to address social challenges, such as helping working adults to acquire new skills,

- Increasing access to healthcare, especially in isolated rural communities,
- Improving the quality of life for people with disabilities, and
- Strengthening democracy. Secretary of Commerce Daley stated “ Electronic commerce between our two countries will enhance the standard of living, by creating new, high-paying jobs and opportunities. Small and medium-sized enterprises, in particular, will benefit from new opportunities to sell their

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products to a worldwide market. OVERVIEW: CONSULTATION AND DISPUTE SETTLEMENTS:

Under Articles 16 and 17 of the FTA, the United States and Jordan have incorporated a multi-step consultation and dispute settlement process similar to the United States-Israel Free Trade Agreement and consistent with World Trade Organization commitments. Any disputes must try to be resolved first through consultation and will then be referred to the Joint Committee if unresolved. The dispute will be referred to a dispute settlement panel consisting of three members who will determine a non-binding opinion.

This report from the dispute panel is then taken into consideration when the Joint Committee determines its final ruling. If the dispute is not settled by the committee, the affected Party" shall be entitled to take appropriate and commensurate measures. " OVERVIEW: JORDAN ECONOMY Under the leadership of King Abdullah, Jordan has demonstrated its commitment to economic reform, especially in the areas of privatization and in improving the investment climate. In April 2000, Jordan acceded to the World Trade Organization (WTO), a process which entailed extensive legislative and regulatory reform.

The government has partially privatized the national telecommunications company and the state-owned cement firm, and is in the process of privatizing the national airline. In addition, Jordan and the U. S. signed a Free Trade Agreement (FTA) in October 2000 which will eliminate virtually all trade barriers between the two countries over a period of several years and create new opportunities for commercial business ventures for U. S. firms seeking to enter the Jordanian market and/or the Middle East Region.

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Reforms to the customs, taxation, and investment laws have improved Jordan's business climate.

Investors have shown interest in Qualifying Industrial Zones (QIZs), which are industrial parks that can export products to the U. S. duty free if 35% of the product's content comes from the QIZ, Israel, and/or the West Bank/Gaza. QIZ factories have created more than 15, 000 jobs, and the number is expected to continue increasing rapidly. The government is also developing the port of Aqaba as a Special Economic Zone (SEZ), with low taxes, minimal bureaucracy, and investor-friendly policies. In 1999-2000, Jordan's intellectual property (IP) laws were upgraded to meet international standards and are now regarded as TRIPS-consistent.

As a result, Jordan was removed from the United States Trade Representative's Special 301 " Watch list" of countries having inadequate intellectual property protection. However, effective enforcement mechanisms and legal procedures have not yet been fully established. As a result, U. S. companies continue to lose sales to unauthorized reproductions of copyrighted and patented products. The U. S. Government has encouraged Jordan to continue moving forward on its economic reform program, as illustrated by the following: -- Jordan and the U. S.

signed a Free Trade Agreement (FTA); -- In 1999, the two countries signed a Trade and Investment Framework Agreement (TIFA), which seeks to remove impediments to trade and investment; -- The U. S. and Jordan have ratified a Bilateral Investment Treaty (BIT), which protects investors and establishes procedures for resolving investment disputes; -- The Zarqa Free Zone is Jordan's major free zone area. Other areas include the Sahab Industrial

Estate Free Zone, Queen Alia International Airport Free Zone, and the Gateway Qualifying Industrial Zone.

-- The government converted the Aqaba port and surrounding area into a Special Economic Zone (ASEZ) in May 2001, with streamlined bureaucracy, lower taxes and facilitated customs handling. In the SEZ, the private sector has been given a free hand to develop transportation and communications services, tourism, and high value-added activities. -- Annual cash transfers from the U. S. Agency for International Development (USAID) are conditioned on the implementation of specific policy reforms aimed at speeding privatization, developing capital markets and improving the investment climate.

In addition, USAID supports a comprehensive set of economic reform and private enterprise development activities aimed at implementing policy reforms and improving the overall business climate for trade and investment. Jordan is becoming an increasingly attractive market for global trade and investment. In addition to its accession to the WTO, privatizations and extensive trade and investment reforms, Jordan is looking at becoming a strong platform for regional and international trade. Congressional approval of the U. S.

- Jordan FTA, development of the ASEZA and continued growth in the QIZ's should both strengthen Jordan's economy and create a more attractive market for international trade and investment. Statistical Information • Population: 5.3 million people • GDP \$10 billion, GDP per capita is around \$1,800 • 50% of population under 20 • Well educated labor force with literacy over 90% • Economic grew by 3.2% in 2003 and is expected to grow

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5% and 5.5% in 04 ; 05 respectively • Jordan economy is 70% composed of the service sector and 17% of manufacturing

- Relative large middle class, but still needs to reduce unemployment which stands at 15%
- In 2003 the amount of U. S. exports to Jordan was \$491.9 million, while the amount of Jordanian exports to the U. S. reached \$673.4 million
- Jordan is the third largest recipient of US aid

US EMBASSY REPORT:
The U. S. -Jordan Free Trade Agreement (FTA), which entered into force on December 17, 2001, is the fourth bilateral Free Trade Agreement concluded by the United States. It is an expression of America's commitment to, and confidence in, Jordan's economic future.

Since its entry into force in December 2001, U. S. -Jordanian bilateral trade has increased 37%, according to figures released by the U. S. Department of Commerce. The United States is now Jordan's largest export market. The Agreement eliminates duties and commercial barriers to bilateral trade in goods and services between the United States and Jordan. The FTA also includes, for the first time ever in the text of a U. S. trade agreement, provisions addressing trade and environment, trade and labor, and electronic commerce.

Other provisions address intellectual property rights protection, balance of payments, rules of origin, safeguards and procedural matters such as consultations and dispute settlement. Virtually all trade in goods between Jordan and the United States is being liberalized in stages through the year 2010 by the FTA. In addition, a broad range of services is being liberalized on the basis of the U. S. and Jordan's existing commitments to the General

Agreement on Trade in Services (GATS). The FTA also affords U. S. exporters in certain industry sectors greater access to Jordan's market.

In addition, the Jordanian services sector is being liberalized to allow greater access to U. S. service providers. The U. S. government supports a number of activities that help Jordanian businesses take advantage of opportunities under the FTA. Most prominent is support, channeled through the U. S. Agency for International Development (USAID) Mission, for the TIJARA initiative, a private-public sector partnership of organizations that coordinate their efforts to increase awareness and understanding of the FTA in Jordan and abroad.

TIJARA has brought together over 20 private sector trade and professional associations with the Jordanian government in an open forum to share information and program proposals to improve the ability of Jordanians to take advantage of the FTA. Another key U. S. -supported initiative aimed at widening awareness of opportunities offered by the FTA is the Jordan-U. S. Business Partnership's Export Fast Track Action Program (EFTAP). This program encourages small and medium-sized Jordanian companies to learn about and improve their capacity to export to the U. S.

EFTAP has already helped small Jordanian companies in the cosmetics, jewelry, stone and marble, garment and machinery sectors secure over \$10 million in export contracts since December 2001. This figure is expected to double in the coming year. EXAMPLE: The Modern Flour Mills and Macaroni Factories Company located in Amman, Jordan, specializes in flour, pasta, snack foods, and breakfast cereals. Established in 1949, the company began its operations as a flour mill and sold three products to a limited clientele

within Amman. Today, the company produces 55 products, which reach consumers domestically and internationally.

Through the years the company had developed a name for itself in the Middle East; however it was time to expand sales to other portions of the world. Mr. Tuma Yaghnam, CEO of the Modern Flour Mills and Macaroni Factories Company, decided to explore opportunities in the United States. Knowing that the product had to meet certain specifications and regulations, he sent samples to a personal contact of his in the United States who forwarded the samples to the United States Food and Drug Administration (FDA) for testing and approval.

After the company's products received FDA approval, the next step for the company was to find a U. S. company interested in purchasing their products. While in Boston, Massachusetts for a personal visit, Mr. Yaghnam frequented an Arab grocery store where he purchased produce and other grocery items. He felt like he was at home since he recognized most of the products in the store. This sparked an idea in his mind- his company could export their products to Arab markets in the United States since Arabs from the Middle East are familiar with the Modern Flour Mills products.

They would want to buy a product from their homeland. Mr. Yaghnam talked to the owner of the grocery store about this opportunity and the owner was able to supply Mr. Yaghnam with a list of companies who import ethnic foods. Using this list, Modern Flour Mills developed a relationship with owners of Arab markets in United States cities with large Arab populations, particularly Detroit, Chicago, and Boston. The Modern Flour Mills started

exporting a limited amount of their products to the United States in 1994-5, totaling \$5, 000.

00. The company is still using this extensive list to pursue additional sales and plans to submit their products to FDA in the near future for renewal. With the signing of the United States Jordan Free Trade Agreement, the Modern Flour Mills saw this as an additional opportunity to penetrate the United States market. “ I was aware of the United States Jordan Free Trade Agreement as it was developing,” stated Mr. Yaghnam. He heard about the potential of an agreement in the local news and followed its development.

In March 2002, representatives from the Modern Flour Mills and the Jordan United States Business Partnership (JUSBP) visited the United States in search of exporting opportunities, to develop ideas to modify their current products, and to explore potential new products, which may be appealing to United States consumers. The group met with United States marketing consultants to brainstorm and obtain potential buyers of their products. The meetings produced possible bulk purchases and a joint venture with an American ingredients company. Modern Flour Mills is still developing these leads today.

Modern Flour Mills desires to operate at its peak potential levels and realizes that this can only be accomplished through growth. The company envisions growth through capturing “ the element of regional economics. ” In order to attain their goal, the Modern Flour Mills seeks to gain investors from the United States. Mr. Yaghnam would like to have United States companies use their plant for final production. “ We have the facilities and infrastructure in

place. Our company could be used as a basis for making products for United States companies.

” Mr. Yaghnam clearly envisions his company as being the “ arm for United States producers of similar products in the Middle East. ” The Modern Flour Mills and Macaroni Factories recognizes that Jordan’s accession to the World Trade Organization and the United States Jordan Free Trade Agreement will open “ new horizons for Jordanian manufacturers and create excellent opportunities for well-prepared companies. ” Modern Flour Mills is one of these well-prepared companies and is ready to pursue all avenues to success. WHITE HOUSE REPORT

September 28, 2001 U. S. -Jordan Free Trade Agreement (FTA) The Jordan Free Trade Agreement (FTA) was signed on October 24, 2000. It will take effect as America's third free trade agreement, and the first ever with an Arab state. The FTA is the capstone of growing U. S. -Jordanian collaboration in economic relations, which began with close bilateral cooperation on Jordan's accession to the World Trade Organization (WTO) and was followed by the conclusion of a trade and investment framework agreement and a bilateral investment treaty.

The FTA serves as an example for Jordan's neighbors of the benefits of peace and economic reform. The Jordan FTA achieves significant and extensive liberalization across a wide spectrum of trade issues. It will eliminate all tariff and non-tariff barriers to bilateral trade in virtually all industrial goods and agricultural products within ten years. The FTA is the first trade agreement to include substantive provisions addressing electronic commerce, a step that

should help advance a global free trade agenda in a sector critical to American hightechnologyand multimedia companies.

Both countries agreed to seek to avoid imposing customs duties on electronic transmissions, imposing unnecessary barriers to market access for digitized products, and impeding the ability to deliver services through electronic means. These provisions also tie in with commitments in the services area that, taken together, aim at encouraging investment in new technologies and stimulating the innovative uses of networks to deliver products and services. The agreement will significantly liberalize bilateral trade in services across a wide range of services sectors.

The FTA's provisions on intellectual property rights (IPR) build on the strong IPR commitments Jordan made in acceding to the WTO. The FTA incorporates the most up-to-date international standards for copyright protection, as well as data exclusivity for pharmaceuticals and stepped-up commitments on enforcement. Among other things, Jordan has undertaken to ratify and implement the World Intellectual Property Organization's (WIPO) Copyright Treaty and WIPO Performances and Phonograms Treaty within two years.

These two treaties, sometimes referred to as the " Internet Treaties," establish several critical elements for the protection of copyrighted works in a digital network environment, including creators' exclusive right to make their creative works available online, as well as Jordanian adherence to new WIPO treaties on copyright protection in the internet. The agreement also contains trade-related environmental and labor provisions.

These provisions will not require either country to adopt any new labor or environmental laws, and each country retains the right to set its own labor and environmental standards and to change those standards. As part of the agreement, the two countries affirm the importance of not waiving or derogating from their labor or environmental laws in order to encourage trade, and commit to effective enforcement of their domestic labor and environmental laws. The Jordan FTA places a premium on cooperative resolution of disputes.

The Governments of the United States and Jordan exchanged letters in July 2001 acknowledging that few, if any; differences are expected to arise in how we interpret this Agreement, given the strong and cooperative relations between our countries. In the very unlikely event that differences arise, the Governments agreed in the letters that they expect to resolve such situations through consultations and other cooperative means, rather than through formal dispute settlement procedures.

The Jordan FTA creates a multi-step, transparent dispute settlement process. Any dispute that cannot be resolved through consultation may be referred to a panel of independent experts for a non-binding opinion. If a dispute cannot be settled after panel proceedings are completed, the FTA authorizes the affected party to take any appropriate and commensurate measure, without specifying the form that this action should take. However, the party taking the action may not act in a manner that is inconsistent with its WTO obligations.

Because the United States already has a Bilateral Investment Treaty with Jordan, the FTA does not include an investment provision. CONCLUSION:

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Unlike many trade agreements, the U. S. -Jordan FTA had widespread, bipartisan and multi-sectoral support, as evidenced by the support of the AFL-CIO and the pact's passage by voice vote. As with other trade agreements, proponents pointed to the reduction of customs duties and other barriers to trade as a boon to exports.

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