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**Working Paper**

## Improving EU Market Access for Jordanian Exports

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# Improving EU Market Access for Jordanian Exports\*

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## Summary

A request for relaxing current Rules of Origin (RoO) under the EU-Jordan FTA have been proposed under a EU/friends of Jordan initiative. This brève reviews RoO requirements under the EU-Jordan FTA and compares them with those under the Jordan-US FTA. It also compares the utilization of preferences under both FTAs that have been in existence for over a decade and fully operative for over five years. Preferential access, while higher for the US, is still substantial for the EU. In 2012, the most recent year for which preference utilization rates can be calculated, preference utilization is systematically higher under the US-Jordan FTA.

... / ...

**\* Without implicating them for suggestions and remaining inaccuracies, we thank Olivier Cadot, Céline Carrère, Maria-Isabel Catalan, Maria Donner Abreu, and Lars Nilsson for comments. The findings, interpretations, and conclusions expressed in this paper are those of the authors and not those of their respective affiliations**

**Note:** Since this work was completed in March, the EU announced a relaxation of RoO for a twenty-year period allowing for up to 70 percent non-originating material manufactured in SEZs for origin that are manufactured in designated development zones and industrial estates in Jordan including 50 harmonised system non-agricultural chapters. See <http://www.jordantimes.com/news/local/jordan-eu-relaxed%E2%80%9999-rules-origin-deal-goes-effect-10-years>

.../... Three pathways are suggested for simplification of RoO: (i) relaxing the double-transformation rule in apparel (yarn can be sourced from non-members but textiles must be sourced among PanEuroMed members) to a single-transformation-rule allowing for non-originating textiles should contribute to make Jordan attractive for Foreign Direct Investment in apparel to service the EU market; (ii) eliminating RoO requirements for tariff lines with unadjusted preferential margins below 3% —which corresponds to the middle range of estimates of fixed costs, at least for small firms—would also help Jordanian exporters who typically export small volumes to the EU; (iii) implementing a low uniform across-the-board value content rule perhaps combined with a Change of Tariff Classification (CTC) at the subheading (HS6) or heading (HS4) level

## Table of Contents

Background .....	3
Jordanian Exports and Preferences under EUJFTA and JUSFTA .....	3
<i>Origin Requirements under the EU-Jordan FTA and the Jordan-US FTA</i> .....	5
Assessing the EU-Jordan FTA.....	6
<i>Trade under the EU-Jordan FTA and the Jordan-US FTA</i> .....	7
<i>Preference utilization under the EU-Jordan and the Jordan-US FTA</i> .....	8
Evidence on the effects of RoO requirements from other FTAs.....	12
Towards a simplification of the PanEuroMed regime for Jordanian exports to the EU.....	13
References .....	15

## Figures

Figure 1: Distribution of Preferential tariffs for Jordanian products to US and EU (HS8) .....	5
Figure 2: Jordan's aggregate exports to EUJFTA, JUSFTA, PAFTA (2000-14) .....	7
Figure 3: Utilization rates of MFN Dutiable imports (2012).....	11
 Figure A1: US imports from Jordan by HS2 category 2002-14 (90% of yearly trade) .....	16
Figure A2: EU imports from Jordan by HS2 category 2002-14 (90% of yearly trade) .....	17

## Tables

Table 1: Preference utilization rates by preferential margin: EU vs. US (2012) .....	9
Table 2: Preference utilization rates by import value range (2012) .....	10
 Table A1: Preference utilization rates by preferential margin and by import value range (2012).....	18
Table A2: Utilization rates of MFN dutiable imports from Jordan US and EU by section.....	18
Table A 3: US Preferential margins and utilization of Preferences by Jordan (HS2-2012) .....	20
Table A4: EU Preferential margins and utilization of Preferences by Jordan (HS2-2012) .....	22
Table A5: Top 10 preferential margins: export shares and utilization rates (HS4).....	22
Table A6 Exports > 2% total: utilization Rates and preferential margins (HS4) .....	25

## Background

Jordan is hosting refugees from the conflicts in neighboring countries with 1.47 million Syrian refugees accounting for nearly 20 percent of the population. Unemployment has risen by 2-3 percentage points over the last year to reach 13% in April 2015. Creating employment opportunities for these refugees will help Jordan directly. Indirectly, this should be welcomed by the EU for humanitarian and other reasons including that incentives to migrate to the EU should be reduced. The EU/friends of Jordan are proposing a holistic approach to the refugee crisis in Jordan. One of the pillars is to improve market access to Jordanian exports to the EU by easing Rules of Origin (RoO) requirements in the EU-Jordan Association Agreement (the EU-Jordan FTA). The low utilization of preferences of Jordanian exports to the EU may be evidence that the current RoO may represent an obstacle to the expansion of Jordanian exports to the EU. This note examines Jordan's current utilization of EU-preferences and compares it with the utilization of preferences by Jordanian exports to the US under the Jordan-US Free Trade Area (Jordan-US FTA) focusing on apparel exports. As a labor-intensive sector with relatively high EU MFN tariffs, apparel is a natural candidate to benefit in the short term from enhanced effective EU preferences through a relaxation of RoO requirements.

Section 1 summarizes Jordan's two principal trade agreements, the Jordan-US Free Trade Area and the Jordan Association Agreement with the EU-also an FTA. Section 2 then compares the RoO requirements for both FTAs and compares utilization rates at the HS2 level. All comparisons show that preference utilization is systematically lower under the EU-Jordan FTA than under US-Jordan FTA. Based on the findings in section 2 and on the broader experience with RoO reform across Preferential Trade, section 3 concludes with some suggestions for a simplification of RoO for the EU-Jordan FTA.

## Jordanian Exports and Preferences under EUJFTA and JUSFTA

Jordan is a party to several reciprocal Free Trade Area Agreements (FTAs). The two most relevant for comparing trade performance are the Jordan-US Free Trade Area and the EU Jordan Association Agreement (EU-Jordan FTA).<sup>1</sup> These two FTAs are the most relevant for a comparison both because the EU and the US are 'similar' along several dimensions (such as market size, tastes, and income) and because the US and the EU are the only countries that report systematically the use of preferences in their FTAs (and other non-reciprocal trade agreements). Jordan is also eligible for non-reciprocal market access through the Generalized System of Preferences (GSP) that generally give less market access than FTAs. GSP is not considered further here.<sup>2</sup>

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<sup>1</sup> Jordan is also member of the Agadir (2006) FTA (Egypt, Jordan, Morocco, Tunisia) and the Pan African Free Trade Area (PAFTA) (1997) (Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, UAR, Yemen) and the Canada-Jordan FTA (2012).

<sup>2</sup> The product coverage under the GSP is usually limited and preferences fall short of duty-free entry. The GSP is specific to each grantor and, as for FTAs, GSP beneficiaries must also satisfy RoO requirements that are at least as stringent as those under FTAs. In the case of Jordan and the EU GSP, under EU GSP regulation 978/2012, Jordan is 'eligible' but not a 'beneficiary' of GSP. In the case of the US GSP, for example, Bolivia, Colombia Ecuador and Peru can export under the GSP

The Jordan-US FTA provided for the elimination of tariffs on all goods and services excluding tobacco and alcohol over a 10 year period starting in 2001 starting with the removal of the lowest tariffs. By 2005, tariffs over 4000 products accounting for 96% of all goods imported by the US from Jordan entered the US tariff-free (Al Nasa et al. 2008).<sup>3</sup>

The EU-Jordan FTA came into effect in 2002 with further liberalization of agricultural products in 2007 and a protocol on Dispute Settlement entered into force in 2011. Along with 15 other members, Jordan is part of the Euro-Mediterranean (EUROMED) partnership which is a 'hub-and-spoke' FTA in which all EUROMED have the same preferential access to the EU for nearly all products (there are a few exceptions for some agricultural products) and are faced with the same RoO requirements (see below). Additionally, negotiations for a Deep and Comprehensive FTA were launched by the EU with Jordan, Morocco, and Tunisia in 2011. The Deep and Comprehensive FTA is to include trade in services (included under the US FTA), government procurement, competition, intellectual property rights, and investment protection.

Preferential margins provide a measure of potential market access. Figure 1 shows the distribution of preference margins measured as the MFN tariff minus the preferential tariff (usually zero) granted to Jordanian exports at the HS8 level along with the percentage of tariff lines with zero MFN duties. Note that these are 'unadjusted' preferential margins since they do not take into account that both the EU and the US also grant preferential market access to many other partners with whom they have signed FTAs. Thus, 'effective' preferential margins should be less than those shown in figure 1.<sup>4</sup> As to market access, 'effective' market access must take into account the costs of complying with RoO requirements that have been shown to be an important factor in the utilization of preferences (see below and references).

Comparing the two distributions in figure 1 shows that the EU has less preferential access to 'offer' as it has a larger share of zero MFN tariff lines and a lower share of tariff lines with preferential margins in the 15-20 and the 20+ ranges (around 2%-3%). However, the EU still has close to 20% of its MFN tariff lines in the 10-15 percent range. The US had 10% of its tariff lines in the 20+ range and 15% in the 15-20 percent range.

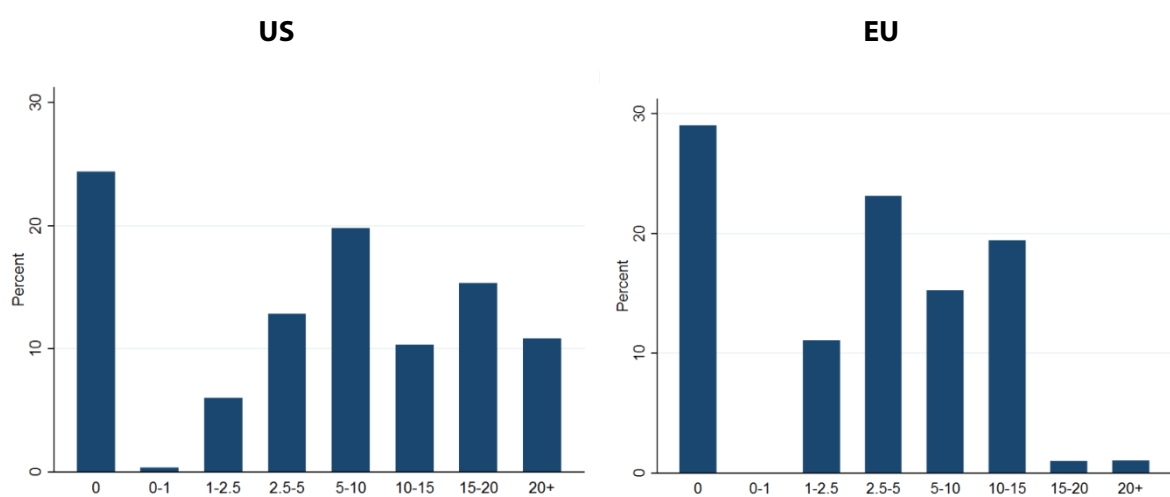
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or under the Andean Trade Preference Act (ATPA). As reported by Keck and Lendle (2012) 87% of imports eligible under both schemes chose ATPA. This is not surprising because GSP beneficiaries are also engaged under reciprocal FTAs with GSP grantors which give greater market access because of shorter lists of exclusions and duty-free entry. Moreover, whereas the US registers imports according to its several preferential schemes, the EUROSTAT only reports imports according to two requests under two categories: MFN or preferential status so one cannot distinguish between imports that might enter under the GSP or under the EU-Jordan FTA under the assumption that the requested status was indeed obtained (See Donner Abreu 2013, p. 26).

<sup>3</sup> Jordan has a 15 year transition period during which it is allowed to apply temporary safeguard measure against U.S.-origin imports. The Jordan-US FTA also includes measures on IPR, and not to lower environmental and labor standards. In addition to the special status of products originating from the qualified industrial zones discussed below, USAID funds TIAJRA, a public-private sector partnership of organizations that coordinate their efforts to increase the awareness and understanding of the Jordan-US FTA as well as the Jordan-U.S. Business Partnership's export Fast Track Action Program (EFTAP) which encourages medium size Jordanian firms to learn and improve their capacity to export to the U.S.

<sup>4</sup> Carrère et al. (2009) and WTO (2011) contrast unadjusted and adjusted preferential margins that are sometimes negative.

**Figure 1: Distribution of Preferential tariffs for Jordanian products to US and EU (HS8)**



**Note:** Y-axis: preferential margin as the country's MFN tariff minus the preferential tariff (usually zero) granted to Jordanian exports.

**Source:** Author's construction using data from Eurostat, USITC and TRAINS.

### ***Origin Requirements under the EU-Jordan FTA and the Jordan-US FTA***

All preferential (reciprocal and non-reciprocal like Everything-But-Arms and GSP) Trade Agreements require establishing origin status for exports from a country member in the Agreement to prevent transshipment through the low-tariff partner. This is assured by the application of rules of origin (RoO).<sup>5</sup> At the same time, RoO impose costs on exporters (and importers) that have to submit the necessary documents to qualify for tariff preferences. These RoO are typically very complex and often 'made-to-measure'. The outcome is that the magnitude of these costs is difficult to assess and it is widely documented that the rather large differences in utilization of preferences around similar preference margins is a reflection of the differential costs they impose on exporters and importers.<sup>6</sup>

A combination of methods is used to establish origin for both EU and US PTAs. Whereas RoO are different across US FTAs, EU FTAs are all based on the PanEuroMed System in place since 2004 (see below). Typically establishing origin involves the combination of regime-wide rules that apply to all sectors (e.g. a roll-up or absorption principle<sup>7</sup>), a Change of Tariff Classification (CTC) at different levels (e.g. chapters or headings) across sectors, coupled with a value-added criterion and, in some

<sup>5</sup> The aim of RoO is to ensure that products involving a certain level of production within the Contracting Party benefit from the preferential treatment and thereby excluding products produced elsewhere but simply shipped via the Contracting Party to benefit from preferential access.

<sup>6</sup> RoO requirements are known to be complicated. These are described in detail in Donner Abreu (2013) for a large number of PTAs. Many observers say these are "business owned" rather than "business friendly" to indicate the extent of lobbying by powerful industry groups. (See e.g. the discussion in Estevadeordal and Suominen (2006) and Cadot and Melo (2007) and Portugal-Perez (2011))

<sup>7</sup> The absorption or roll-up principle allows non-originating materials, which have acquired origin by meeting specific processing requirements to maintain this origin when used as input in a subsequent transformation. The roll-up or absorption principle is used in most PTAs (See Cadot and Melo (2007) and Donner Abreu (2013)). However, article 15 of protocol 3 on RoO in PanEuroMed prohibits duty drawbacks or exemptions on non-originating materials.

cases, like Textiles and Apparel (T&A), a processing requirement.<sup>8</sup> Since labor-intensive activities like apparel are the most promising activities for employment creation for Jordanian exports to the EU in the near future, we concentrate here on RoO requirements in the apparel sector.

In the case of T&A, the Jordan-US FTA requires minimum domestic content. Unlike most other US FTAs that require a 'yarn-forward' (or triple transformation rule),<sup>9</sup> the Jordan-US FTA allows for fabric imported from third countries to fulfill the origin requirement provided that it undergoes substantial transformation.<sup>10</sup>

The PanEuroMed System, in place since 2004, covers more than 50 countries. It requires a double transformation rule.<sup>11</sup> Jordan and other Mediterranean countries engaged in the "Barcelona process" operate under the PanEuroMed RoO requirements. The PanEuroMed allows for diagonal cumulation.<sup>12</sup> For textiles and apparel, the standard allowance criterion that applies across sectors is replaced by an allowance in terms of weight on non-originating materials. Jordan has signed the convention that will extend regional cumulation between EUROMEDs, EFTA/Turkey/EU to the Western Balkans.<sup>13</sup>

## Assessing the EU-Jordan FTA

An increase in bilateral trade is expected from preferential access that would be reflected in the use of these preferences provided that the costs of compliance do not exceed the preferences and exporters are informed. The following tables and figures concentrate on a comparison of export growth under the EU-Jordan and the US- Jordan FTA.

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<sup>8</sup> Cadot et al. (2006, table 2) describes the distribution of product-specific origin requirements at the HS6 level for NAFTA and PanEuroMed.

<sup>9</sup> Most US FTAs starting with NAFTA and beyond (e.g. Morocco) have a 'yarn forward' or triple transformation rule with fabrics (up to a certain percentage non-originating) made from yarn originating in the parties (cotton→ yarn→textiles→ apparel). Only qualifying African countries under AGOA and now under EBA have the simpler single transformation (textiles→ apparel) thereby allowing third-country fabric.

<sup>10</sup> The "substantial transformation" criterion requires a minimum of 20% of production for each, Jordan and Israel, excluding profits. The corresponding rule for the QIZs require 35% regional content with 11.7% from the QIZ, 8% from Israel and the balance from the West Bank, Gaza or a QIZ.. The main difference between the QIZ arrangement and JUSFTA is the mandatory Israeli value-added under JUSFTA. Another main difference between the two is that under the QIZ arrangement, duty- free status was immediate whereas it was progressive under JUSFTA (see below). Donner Abreu (2013, Annex 2) describes in detail the arrangements under the two protocols.

<sup>11</sup> PanEuroMed requires a "double transformation rule" (yarn→textiles→ apparel), i.e. apparel made from qualifying textiles

<sup>12</sup> There are three cumulation rules: bilateral, diagonal and full cumulation. Bilateral cumulation is most common and applies to trade between two partners in a PTA. It stipulates that producers in country A can use inputs from country B without affecting the final good's originating status provided that the inputs are themselves originating (i.e. provided that they themselves satisfy the area's ROOs). Under diagonal cumulation (the basic principle of the EU's PANEURO system), countries tied by the same PTA as members of the "Barcelona process" can use materials that originate in any member country as if the materials were originating in the country where the processing is undertaken. Finally, under full cumulation, all stages of processing or transformation of a product within the PTA can be counted as qualifying content regardless of whether the processing is sufficient to confer originating status to the materials themselves. Full cumulation allows for greater fragmentation of the production process than diagonal cumulation, itself less restrictive than bilateral cumulation.

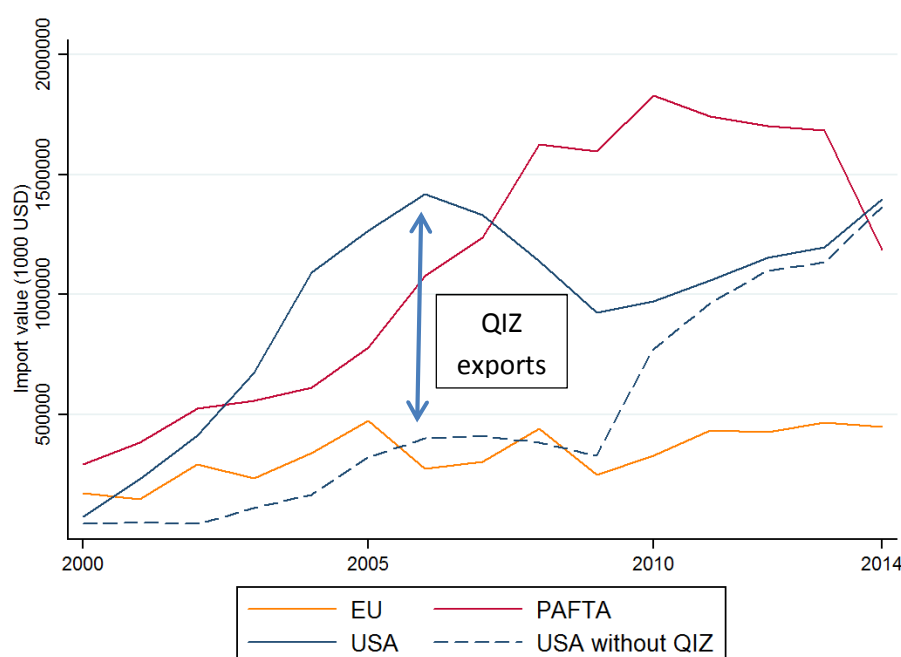
<sup>13</sup> The Convention is into force but not yet into application because the current protocol to the FTA is not yet replaced by a reference to the Convention.



### Trade under the EU-Jordan FTA and the Jordan-US FTA

Figure 2 shows the evolution of Jordanian exports to its principal partners with whom it has preferential trade agreements (EUJFTA, JUSFTA, PAFTA). Exports to the EU have started from a low base and have grown more slowly than exports to the other destinations. Exports to PAFTA grew rapidly until turmoil settled in the region starting around 2010 while exports to the US and the EU registered a sharp fall during the 2007-09 financial crisis. Exports to the US, when inclusive of exports originating from the Qualified Industrial Zones (QIZs) show a sharp increase starting around 2001, the first year of JUSFTA implementation. This is because exports of apparel originating from the QIZs—which have very similar RoO requirements to those under the Jordan-US FTA—could enter the US market duty-free from the start while exports of apparel from Jordan could only enter duty-free starting in 2010<sup>14</sup>. If one excludes exports to the US from the QIZs, figure 2 shows that the growth rate of exports is the same for EUJFTA and JUSFTA until 2009. Then, exports from QIZs contract until virtually disappearing by 2014.

**Figure 2: Jordan's aggregate exports to EUJFTA, JUSFTA, PAFTA (2000-14)**



**Source:** Author's construction using data from WITS for the EU and PAFTA, and data from USITC for USA

<sup>14</sup> The QIZs were introduced in 1997 as part of the US peace effort in the Middle East under the Oslo peace process. Abreu (2012, box 3.1) gives the territorial definition of the QIZ in the US Harmonized Tariff Schedule. The QIZ includes portions of the territory of Israel, and Jordan or Israel and Egypt. By 2012, there were 5 QIZs in Jordan and 4 in Egypt. Goods entering the QIZs for processing and export enter free of tariffs and taxes in the US provided they satisfy the relevant RoO

Figures A1 and A2 give more detail about the evolution of export to the US and the EU in the sectors that account for 90% of exports. For the US, exports are concentrated in the apparel sector while for the EU, the export basket is much more diversified and apparel exports are conspicuously absent.

Figures A1a and A1b confirm that the sharp growth in exports to the US originated from knitted apparel (HS61) and non-knitted apparel (HS62) that accounted for close to 90% of Jordan's exports to the US. Figure A1b shows that exports for these two sectors originating from the QIZs fell sharply starting around 2006 when tariffs on exports of apparel from Jordan started to fall. As mentioned above, US tariffs on apparel imported from Jordan were eliminated in 2010. Up until then Jordanian exports could enter the US duty-free provided they were declared as originating from the QIZs (and that they satisfied the QIZ RoO requirement). Notwithstanding the end of the MFA in 2005, the sharp growth in exports from Jordan excluding QIZs that started around 2009 could be interpreted as an approximation of the long-run supply elasticity of exports to a preferential margin rate in the range 15%-16% under the prevailing RoO requirements.

Figure A2 shows that exports to the EU have not responded similarly to the removal of tariffs notably in the apparel sector and that preferential access has not resulted in a move towards a concentration of exports to the EU in labor-intensive products.

In conclusion, figures A1 and A2 show that knitted apparel (HS61) and non-knitted apparel (HS62) dominate the growth of exports to the US while they are completely absent from the growth of Jordanian exports to the EU in spite of similar preferential margins in both partners (around 12% for the EU and 18% and 16% for the US—see tables A2 and A3). Overall, Jordanian exports to these preferential partners, and particularly to the EU, have grown at modest rates throughout the period.

### ***Preference utilization under the EU-Jordan and the Jordan-US FTA***

About 85 percent of world trade is registered under MFN status so trade under preferential status is small.<sup>15</sup> Only the EU and the US disclose regularly the use of preferences in imported goods<sup>16</sup>. Assuming that RoO requirements prevent trans-shipment, in the short to medium term, a high rate of utilization of preferences is the first yardstick to assess the intended effects of any PTA. Three factors are important in accounting for differences in utilization rates across sectors and eligible countries:

- The depth of preferential access captured by the preferential margin.

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<sup>15</sup> Excluding intra-european trade, WTO (2011) estimates that, for the 20 largest importers accounting for 90% of world trade, only 16% of their imports from partners qualify as preferential trade (on the assumption that all preferences are fully utilized). Keck and Lendle (2012) also analyse preferences of Canada and Australia.

<sup>16</sup> In the case of the EU, Eurostat provides information on eligibility under three tariff measures (MFN, GSP, PREF) and type of requested import regime. The preference regime notified in the data is then the regime requested by the exporter, not the regime finally used. It is assumed that if an import is eligible for the regime it requested it actually obtained that regime. Abreu (2012, p.26) reports that sample tests show that discrepancies between regime requests and actual registration are not significant.

- The size of the shipment because of the fixed costs of complying with the RoO requirements
- The complexity of the RoO requirement

Table 1 compares the aggregate utilization of preferences by tranches of preferential margins for the EU and the US FTAs for 2012. Preference utilization rates are computed at the HS8 level for products with a positive MFN tariff (refer to figure 1) and the utilization rate is the share of imports entering under the preferential trade regime, and complying with the RoO requirement.<sup>17</sup> First, as expected, utilization rates increase with the size of the preferential margin. Second, for each range of preferential margin, utilization rates are systematically higher for the US than for the EU. Third, utilization rates are particularly high for the US in the 0-2.5% range. Excluding the possibility that lack of knowledge of preferences might still be important among Jordanian exporters in 2012, this could be due two factors: small value flows for the EU relative to the US which might be insufficient to cover fixed costs or stricter rules of origin for the EU.

**Table 1: Preference utilization rates by preferential margin: EU vs. US (2012)**

Preferential margin (%)	Utilization rate of Jordan exports	
	USA	EU
0-2.5	0,95	0,62
2.5-5	0,83	0,16
5-10	1,00	0,98
10-15	0,98	0,38
15-20	1,00	0,69
20+	0,99	0,90

**Source:** Eurostat for trade data and TRAINS for tariff data for the EU; USITC for trade and tariff data for the USA.

<sup>17</sup> Trade data are required for calculating utilization rate. Hence 2012 is the most recent year with trade data covering the full year. In the case of the EU, Eurostat provides information on eligibility under three tariff measures (MFN, GSP, PREFER) and type of tariff (normal or under quota). See Nilsson (2011). Data by type of preference is not available and it is assumed that if an import is eligible for the regime it requested it actually obtained that regime. Donner Abreu (2013, p.26) reports that sample tests show that discrepancies between regime requests and actual registration are not significant.

**Table 2: Preference utilization rates by import value range (2012)**

Value Range of Eligible imports (\$ for US and € for EU)	Utilization rate of preferences by Jordanian exporters	
	USA	EU
0-10		0,10
10-100		0,07
100-1000	0,42	0,17
1000-10000	0,61	0,31
10000-100000	0,79	0,39
100000-1M	0,90	0,57
1M-10M	0,98	0,83
10M-100M	1	1,00
100M-1B	1	

**Note:** Blanks indicate that there are no imports from Jordan reaching the value.

**Source:** Eurostat for trade data and TRAINS for tariff data for the EU; USITC for trade and tariff data for the USA

Table 2 shows utilization rates by ranges of import values over the period (i.e. not import values per shipment). In the \$100-1000 range, and in all other ranges, utilization rates are systematically higher for the US than for the EU.<sup>18</sup> This is a very approximate measure of fixed costs since one would need individual transactions rather than an average from all transactions during a year as shown in table 2. Since both the EU and US allow for self-certification, differences in fixed costs could reflect product-composition effects and differences in shipment size for which we have no data.<sup>19</sup>

Table A1 combines preferential margin ranges and import value ranges and confirms the patterns in table 2. Utilization rates generally increase both with preference margins (moving down columns) and with import value (moving to the right). For the FTA with the EU the utilization rate in the 10-15% preferential margin range is 42% for import values in the USD 10,000-100,000 range. For the same ranges, the utilization rate is 74% for the FTA with the US.

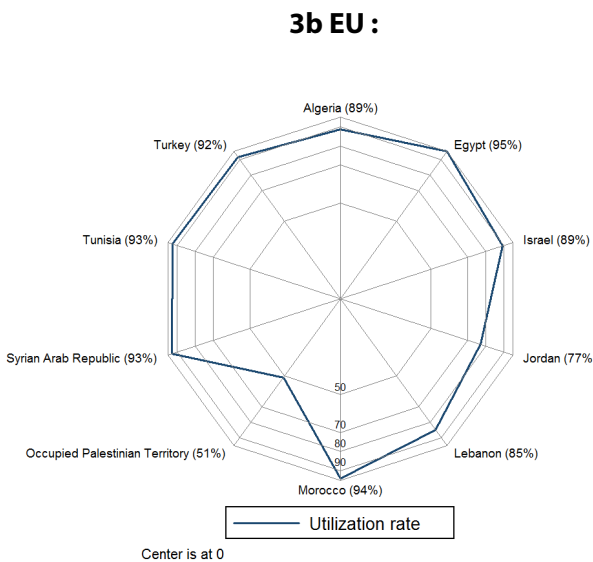
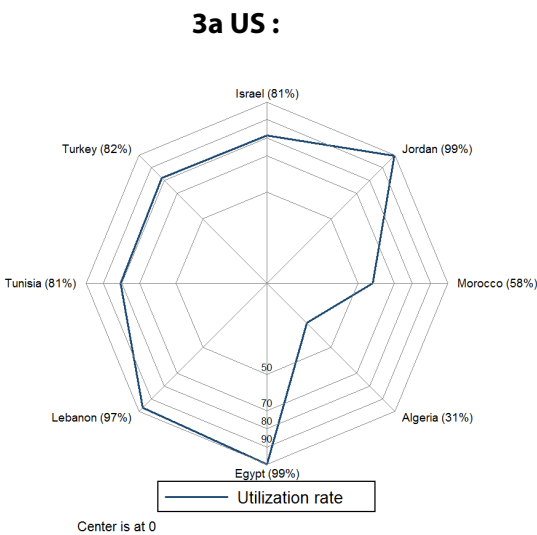
Figure 3 compares the aggregate economy-wide utilization rates for EU and US FTAs granted to some Middle-East and North African countries and for non-reciprocal preferences under the GSP for the US. Recall that preferential access is the same across partners so a comparison of utilization of preferences is a rough indication of effects of RoO. For EU FTAs, if one omits the Occupied Palestinian Territory Utilization, utilization of preferences for the EU are high except for Jordan (and to a lesser extent Lebanon). Since RoO requirements are the same for all partners, these differences could reflect composition effects and/or fixed costs playing out differently across shipment sizes. By contrast, in the case of the US, RoO vary across partners and as discussed earlier, Jordan has the

<sup>18</sup> No transactions to the US in the \$0-\$100 range probably reflects a reporting threshold.

<sup>19</sup> Self-certification is allowed under article 23 of protocol 3 of the PanEuroMed which provides for "approved exporter" status. This status reduces fixed costs since cumbersome forms need not be filled for each shipment. Based on the construction of pseudo-transaction level data, Keck and Lendle (2012) estimate a fixed cost element in the range \$14-\$1500.

most lenient RoO requirements for Textiles. Among the US FTAs, utilization rates are highest for Jordan and Egypt, which have the most lenient RoO requirement for textiles.<sup>20</sup> It is noticeable that Morocco has a low rate of utilization of preferences in the US in spite of the same preferential margin as Jordan. This difference in utilization rates is most likely due to Morocco facing much stricter RoO requirement for textiles and apparel.<sup>21</sup>

**Figure 3: Utilization rates of MFN Dutiable imports by country (2012)**



**Source:** USITC.

**Note:** Utilization rates include FTA+ GSP+ QIZ for Jordan, GSP+QIZ for Egypt, FTA for Morocco and Israel and GSP for the remaining countries

**Source:** Eurostat.

**Note:** Utilization rates include FTA+GSP.

Table A2 compares reports preference margins and utilization rates at the section level for the EU-Jordan and the Jordan-US FTAs. A positive correlation between utilization rates and preference margins can be detected for both FTAs, but the correlation is not very strong as aggregation bias and other factors than preferences determine utilization of preferences. More comparisons are carried out at more disaggregated levels in tables A3 to A6. Table A3 (Jordan-US FTA) and A4 (EU-Jordan FTA) show export shares, preferential margins and utilization rates at the HS2 (97 chapters) level along with the number of exported products at the HS8 level. Table A4 ranks in descending order the top 10 preferential margins the HS4 level (1264 tariff lines) for each FTA, and table A5 in descending order the top exports that account for more than 2% of total exports. Table A4 shows

<sup>20</sup> Egypt’s high preference utilization rate under GSP preferences reflects the presence of four QIZ zones in 2012 with duty-free access to the US.

<sup>21</sup> The RoO for textiles and apparel includes a yarn-forward rules coupled with a tolerance rule (7% of weight from third parties), a diagonal rule for certain cotton fibers originating from SSA LDCs and a TPL on quantity of non-originating yarn and fabric. Donner Abreu table 5.2 compares RoO requirements in textiles across all US FTAs.

that, in spite of preferential margins above 16%, the EU-Jordan FTA has only 3 sectors with a utilization rate over 70%. By contrast, for Jordan-US FTA all utilization rates are at 100% percent with preferential margins in the 20%-28% range. Table A5 displays again utilization rates of 100% for the Jordan-US FTA. Except for jewelry and medicaments, exports to the US are concentrated in the apparel sector and have preferential margins above 15% for all but two sectors. For the EU, phosphates is the top export, accounting for 25% of exports to the EU. Jewelry is the only sector in common on both lists. Apparel is absent from the EU-Jordan FTA top export list, but preferences are used for nitrates, fertilizers other vegetables and articles of jewelry.

## **Evidence on the effects of RoO requirements from other FTAs**

In sum, if RoO have a legitimate justification in preventing trade deflection by mandating that sufficient processing take place in the preferential zone, the accumulated evidence reported in the papers cited in the references suggest that they have gone vastly beyond that role, becoming akin to technical barriers to trade. In the context of non-reciprocal preferential agreements, repeated requests have been made by LDCs during the Doha Round negotiations to ease RoO requirements. These requests have culminated in an agreement in Nairobi in December 2015 on binding multilateral provisions for RoO for LDCs.

Two quasi-natural experiments suggest that apparel activities would be responsive to a simplification of RoO. First, as shown by the experience of AGOA, the relaxation of the US's triple-transformation requirement in T&A for sub-Saharan African producers in the early 2000s' strongly encouraged export diversification and growth in comparison with exports destined to the EU, which continued to operate under a double-transformation rule until 2011. Melo and Portugal-Perez (2014) estimated that moving from the triple to the single transformation rule contributed to an increase in export volume of approximately 168 percent for the top seven AGOA beneficiaries or approximately four times as much as the 44 percent growth effect from initial duty-free access under the triple-transformation rule. They also documented that this change in RoO requirement design was important for diversity in apparel exports because the number of export varieties grew more rapidly under the AGOA special regime.

In a cross-section study of 200 Bangladeshi firms exporting woven apparel to the US and EU markets, Cherkashin et al. (2015) compared the effects of granting preferences with and without RoO requirements. They estimated that a \$1 reduction in fixed costs would generate an increase in exports in the \$10-\$40 range and concluded that easy-to-obtain preferences, reduction in fixed costs, or both may have a catalytic effect and that preferences need not divert trade from other markets, as predicted in a setting with no fixed costs.

Recent estimates for NAFTA by Conconi et al. (2016) suggest that RoO on final goods reduced imports of intermediates from third-countries by about 30 percentage points, the authors

concluding that even if external tariffs are unchanged, RoO embedded in FTAs may violate multilateral trade rules by increasing substantially the level of protection faced by non-members.<sup>22</sup>

A compendium of other research indicates that compliance costs associated with meeting origin requirement in PTAs range between 3% and 5% of final product prices, and that fixed costs in meeting requirements are not negligible (Cadot and Melo (2007)). This can be a very stiff price tag for preference margins that are often thin given that MFN tariffs are themselves low in most sectors except T&A and that the EU and US extend preferences to many partners, resulting in low preferential margins. Controlling for preferential margins, utilization rates have been shown to be lower in product lines with more restrictive Product Specific Rules of Origin (PSRO) and also when producers are limited in the sourcing of their intermediate purchases. Moreover, a positive correlation between the presence of tariff peaks and indicators of the restrictiveness of PSRO – suggestive of capture by protectionist interests-- has been detected in many studies.

### **Towards a simplification of the PanEuroMed regime for Jordanian exports to the EU**

While there is more than preference utilization in judging the success of an FTA like those signed by Jordan with the US and the EU, estimates for 2012 show systematically lower rates of utilisation under the EU-Jordan FTA than under the Jordan-USFTA for sectors with significant preferential margins. In the high-preference, labour-intensive apparel sector (with 15%-18% preferential margin for sales in the US market and 11%-12% for sales in the EU markets), utilization of preferences at the chapter level for sales in the US market are 99.5% and 50% in the EU market (table A2). Along with comparisons of preference utilization rates across other FTA partners for the EU and the US suggests that RoO requirements are likely to be an important contributing factor to these systematic differences in the utilisation of preferences and in the lower growth of Jordanian exports of apparel to the EU.

These very different outcomes between Jordan's FTA with the EU and US call for further investigation. Both FTAs have in existence for more than a decade and fully operative for at least five years. More work would be needed to ascertain the relative importance of differences in RoO requirements between the two FTAs in these outcomes. Suggestions about simplifying RoO are therefore tentative.

A simplification of the EU's PanEuroMed RoO for Jordanian exports, especially in apparel, which is subject to the double-transformation rule (yarn can be sourced from non-members but textiles must be sourced among PanEuroMed members) to a single-transformation rule allowing for non-originating textiles should contribute to make Jordan attractive for Foreign Direct Investment in apparel to service the EU market.

Eliminating RoO requirements for tariff lines with unadjusted preferential margins below 3% -- which corresponds to the middle range of estimates of fixed costs, at least for small firms--would

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<sup>22</sup> In earlier work on NAFTA, Cadot et al. (2005) estimated that a technical requirement on Mexican apparel exports to the US would raise the price of US cotton fabric shipped to Mexico for that type apparel by 12% on average.

also help Jordanian exporters who typically export small volumes to the EU (see Cadot and Melo (2007) and Keck and Lendle (2012)). This change could face opposition and/or raise concerns about creating a precedent. A uniform low value content rule (say 20% value-added across-the-board) perhaps combined with a Change of Tariff Classification (CTC) at the subheading (HS6) level could also be envisaged. Alternatively, the CTC might be at the heading level, while for T&A, it could be accompanied by a lower value-content rule for apparel which has shown to be responsive to preferences under the Jordan-US FTA. As a benchmark for discussion, for non-reciprocal preferences for LDCs, WTO members have agreed in Nairobi this past December to implement by December 2016 their commitment to allow that non-originating materials can make up to 75 percent of the final value of a product for it to qualify for preferential treatment.



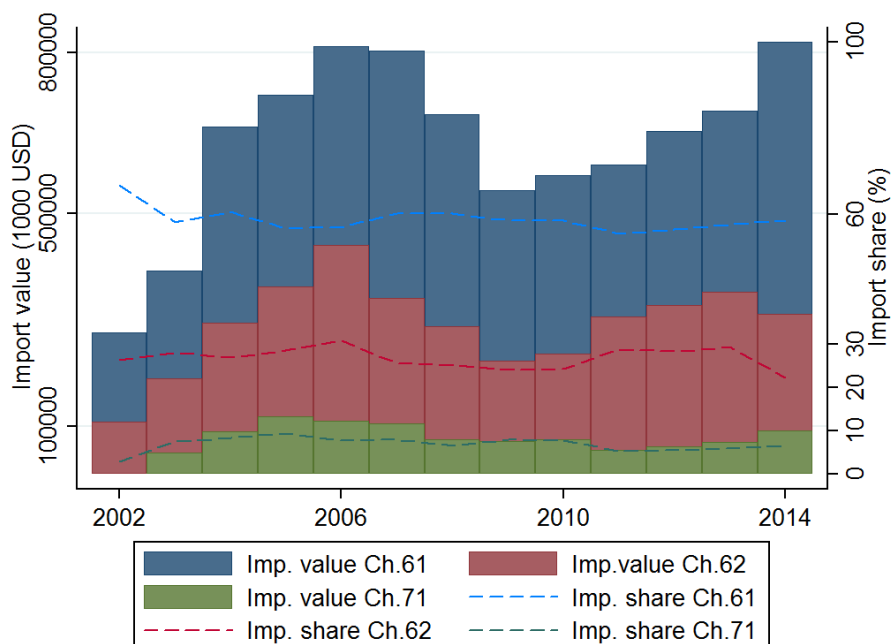
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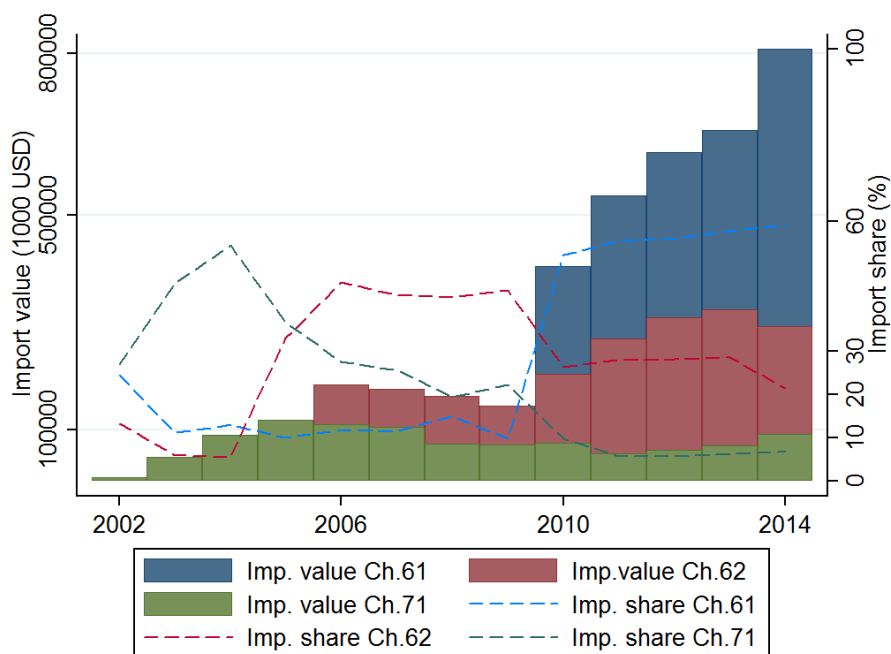
## Annex Tables and figures

**Figure A1: US imports from Jordan by HS2 category 2002-14 (90% of yearly trade)**

**a) including imports from QIZs**



**b) excluding imports from QIZs**



**Notes:** Boxes represent dollar values and dashed lines the corresponding import shares.

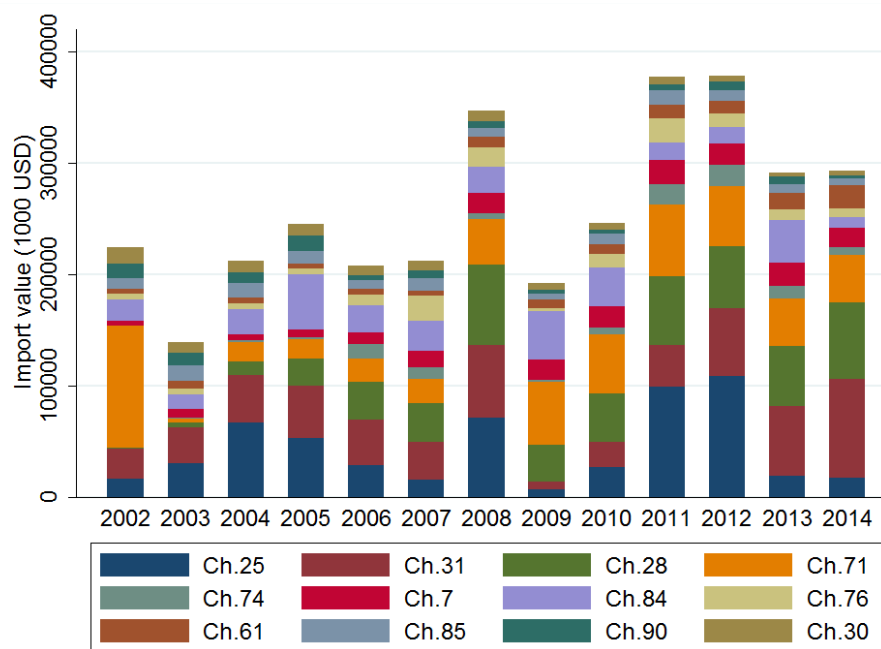
**Source:** USITC for figure A1a and A1b

**CH 61:** Apparel & Clothing, knitted or crocheted

**CH 62:** Apparel & Clothing, not knitted or crocheted

**CH72:** Iron & Steel

**Figure A2: EU imports from Jordan by HS2 category 2002-14 (90% of yearly trade)**



**Notes:** Boxes represent dollar values and dashed lines the corresponding import shares.

**Source:** WITS

**CH 25:** Salt, sulphur, lime & cement

**CH 31:** Fertilisers

**CH 28:** Inorganic chemicals

**CH 71:** Pearls, precious stones, precious metals

**CH 74:** Copper & articles

**CH 07:** Edible vegetables and tubers

**CH 84:** Nuclear reactors, boilers

**CH 76:** Aluminium & articles

**CH 61:** Apparel & clothing, knitted or crocheted

**CH 85:** Electrical machinery & equipment

**CH 90:** Optical, photographic, medical instruments

**CH 30:** Pharmaceutical products

**Table A1: Preference utilization rates by preferential margin and by import value range (2012)**

USA/Jordan		Eligible imports (USD)							
Preferential margin (%)	0-10	10-100	100-1000	1000-10000	10000-100000	100000-1M	1M-10M	10M-100M	100M-1B
0-2.5			0,48	0,31	0,49	1,00	1,00		
2.5-5			0,85	0,64	0,83	0,96	0,80		
5-10			0,36	0,72	0,90	0,98	1,00	1,00	
10-15			0,42	0,74	0,74	0,88	1,00	1,00	
15-20			0,24	0,49	0,77	0,91	1,00	1,00	1,00
20+			0,17	0,64	0,71	0,80	0,96	1,00	1,00

EU/Jordan		Eligible imports (Euros)							
Preferential margin (%)	0-10	10-100	100-1000	1000-10000	10000-100000	100000-1M	1M-10M	10M-100M	100M-1B
0-2.5	0,00	0,05	0,11	0,18	0,09	0,33	1		
2.5-5	0,10	0,04	0,09	0,14	0,26	0,28	0,00		
5-10	0,11	0,15	0,19	0,42	0,57	0,96	1,00	1,00	
10-15	0,04	0,04	0,26	0,33	0,42	0,40	0,34		
15-20	0,00	0,00	0,89	0,71	0,66				
20+		0,00	0,61	0,49	0,89	0,76	1,00		

**Notes:** Calculations based on HS6 level data. A blank field indicates no combination in the data.

**Source:** Eurostat for trade data and TRAINS for tariff data for the EU; USITC for trade and tariff data for the USA

**Table A2: Utilization rates of MFN dutiable imports from Jordan by section (2012)**

	USA		EU	
	Utilization rate	Preferential margin	Utilization rate	Preferential margin
Section I : Live animals, animal products	100	5.8	0	4.1
Section II: Vegetable products	99	4.2	96	6.5
Section III: Animal or vegetable fats and oils, animal or vegetable waxes	74	0.3	49	10.4
Section IV: Prepared foodstuffs, beverages, spirits and vinegard; tobacco	99.8	4.4	77	31.3
Section V: Mineral products			75	0.8
Section VI: Products of the chemical or allied industries	100	0.8	75	2.7
Section VII: Plastics and articles thereof; rubber and articles thereof	40	3.6	53	6
Section VIII: Raw hides, skins & leather; articles of leather; furskins & artificial fur	78	8	0.15	3
Section IX: Wood products; cork products; manufactures of straw	100	2.8	0	0.7
Section X: Pulp of wood cellulosic material; paper & paperboard; printed books				
Section XI: Textiles and apparel articles	99.5	15.8	50	11.2
Section XII: Footwear; headgear; umbrellas: feathers & down	23	6.4	0	8.4
Section XIII: Articles of stone, plaster, cement; ceramic products; glass & glassware	89	4.6	32	5.1
Section XIV: Pearls, precious stones, precious metals	99.8	5.9	97	2.5
Section XV: Base metals and articles of base metal	66	2.1	56	2.8
Section XVI: Nuclear reactors, boilers; electrical machinery & equipment	95	1.4	0.87	2
Section XII: Vehicles, aircraft, vessel and associated transport equipment	0	1.4	48	5
Section XIII: Optical, photographic, medical instruments; clocks & watches, musical instruments	9	1.1	0.66	1.6
Section XX: Miscellaneous manufactures articles	91	1.5	61	2
Section XXI: Works of art				
Total	0.99		0.77	

**Note:** Blanks indicate that there are no import in the category.

**Source:** Eurostat for trade data and TRAINS for tariff data for the EU; USITC for trade and tariff data for the USA.

**Table A3: US Preferential margins and utilization of Preferences by Jordan (HS2-2012)**

HS2	Description	Utilization rate	Preferential margin	Export share (%)	Exports (1000USD)	Nb obs HS8
1	Live animals		0	0	54	1
2	Meats		2,95		0	0
3	Fish		0,73		0	0
4	Dairy produce; birds' eggs; natural honey	1	7,02	0,01	120	5
5	Products of animal origin, NES		0,61		0	0
6	Live trees & other plants		2,49		0	0
7	Edible vegetables and tubers	0,98	13,83	0,05	593	9
8	Edible fruits & nuts	1	0	0,04	401	1
9	Coffee, tea, maté and spices	0,98	1,31	0,08	932	16
10	Cereals		0,56		0	0
11	Products of the milling industry	1	3	0	38	3
12	Oil seeds and oleaginous fruits	0,98	0,6	0,06	636	8
13	Lac; gums, resins and extracts		0	0	14	1
14	Vegetable plaiting materials		1,08		0	0
15	Animal or vegetable fats and oils	0,74	0,29	0,14	1630	11
16	Meat of fish or of crustaceans		3,31		0	0
17	Sugars and sugar confectionery	0,98	4,72	0,02	260	6
18	Cocoa & cocoa preparations	1	6	0	6	2
19	Cereals, flour, starch or milk	1	6,08	0,05	578	9
20	Vegetables, fruits, plants	1	6	0,3	3415	20
21	Miscellaneous edible	1	4,93	0,13	1434	11
22	Beverages, spirits and vinegar	1	0	0	51	2
23	Residues food industries		1,57		0	0
24	Tobacco	0	0,12	0,25	2785	12
25	Salt; sulphur, lime & cement		0,25		0	0
26	Ores, slag and ash		0,25		0	0
27	Mineral fuels, mineral oils		0	0	10	1
28	Inorganic chemicals		0	0,19	2094	2
29	Organic chemicals		0	0,11	1274	2
30	Pharmaceutical products		0	2,2	24700	4
31	Fertilisers		0		0	0
32	Tanning, paints and varnishes	1	3,1	0	3	1
33	Essential oils and resinoids	1	1,87	0,02	262	7
34	Soap		0	0,16	1754	4
35	Albuminoidal substances		1,87		0	0
36	Explosives, pyrotechnic products		3,00		0	0
37	Photographic		2,81		0	0
38	Miscellaneous chemicals		3,76		0	0
39	Plastics	0,39	3,88	0,28	3112	26
40	Rubber and articles	0,91	2,58	0,01	79	6
41	Raw hides and skins & leather		2,46		0	0
42	Articles of leather	0,78	8,07	0	20	9
43	Furskins and artificial fur		2,37		0	0
44	Wood products	1	2,50	0	56	6
45	Cork products		0,74		0	0
46	Manufactures of straw	1	4,50	0	3	1
47	Pulp of wood cellulosic material		0		0	0
48	Paper and paperboard		0	0	12	3
49	Printed books, newspapers		0	0,02	256	3

50	Silk		0,92		0	0
51	Wool, fine or coarse animal hair	0,97	12,5	0	17	2
52	Cotton		0	0	15	1
53	Other vegetable textile fibres		1,92		0	0
54	Man-made filaments		10,29		0	0
55	Man-made staple fibres	0	12	0	1	1
56	Wadding, felt and nonwovens	1	2,25	0	35	2
57	Carpets and other textile floor	1	1,48	0,19	2107	13
58	Special woven fabrics		7,33		0	0
59	Impregnated, coated		3,10		0	0
60	Knitted or crocheted fabrics		10,10		0	0
61	Apparel & clothing, knitted or crocheted	1	18,26	57,92	653000	142
62	Articles of apparel & clothing, not knitted or crocheted	0,99	15,84	29,01	327000	188
63	Other made-up textiles articles	1	7,66	2,01	22700	13
64	Footwear		14,53		0	0
65	Headgear	0,24	7,27	0	52	7
66	Umbrellas		4,49		0	0
67	Feathers & down		0	0	2	1
68	Articles of stone, plaster, cement	0,96	3,82	0,04	430	13
69	Ceramic products	1	7,67	0,01	68	3
70	Glass and glassware	0,22	4,7	0,01	57	5
71	Pearls, precious stones, precious metals	1	5,88	5,6	63100	29
72	Iron and steel		0	0,03	290	1
73	Articles of iron or steel	0,28	1,49	0,01	68	7
74	Copper & articles		2,13		0	0
75	Nickel & articles		0	0,01	108	1
76	Aluminium & articles	1	1,03	0,2	2235	3
78	Lead & articles		1,63		0	0
79	Zinc & articles		2,15		0	0
80	Tin & articles	1	2,1	0	11	1
81	Other base metals		3,55		0	0
82	Tools, cutlery, of base metal	0,7	7	0	23	2
83	Miscellaneous articles of base metal	0	3,9	0	8	1
84	Nuclear reactors, boilers	0,97	1,2	0,61	6854	50
85	Electrical machinery & equipment	0,3	1,91	0,03	343	18
86	Railway or tramway locomotives	0	0,2	0,02	192	2
87	Vehicles other than railway	0	2,5	0	23	1
88	Aircraft, spacecraft & parts		0,18		0	0
89	Ships, boats & floating structures		0,46		0	0
90	Optical, photographic, medical instruments	0,1	1,09	0,01	131	16
91	Clocks and watches and parts thereof	0		0	3	1
92	Musical instruments		2,79		0	0
93	Arms and ammunitions		0	0,01	80	2
94	Furniture; bedding mattresses	0,88	1,07	0,06	661	26
95	Toys, games and sports requisites		0	0,03	350	6
96	Miscellaneous manufactured articles	0,93	5,24	0,01	82	5
97	Works of art		0	0,06	733	9
Total number of lines		0,99				764

**Source:** USITC for trade and tariff data.

**Note:** Blanks indicate that all imports in the HS category have zero MFN duties.

**Table A4: EU Preferential margins and utilization of Preferences by Jordan (HS2-2012)**

HS2	Description	Utilization rate	Preferential margin	Export share (%)	Export (1000 euros)	Nb obs HS8
1	Live animals	0	2,88	0,26	845	2
2	Meats	0		0,03	112	1
3	Fish		0		0	0
4	Dairy	0	17,3	0,04	143	2
5	Products of animal origin, NES		0	0	0,2	2
6	Live trees & other plants	0,09	6,73	0	9	6
7	Edible vegetables and tubers	0,99	9,76	4,6	14942	33
8	Edible fruits & nuts	0,97	6,32	0,35	1126	18
9	Coffee, tea, maté and spices	0,93	3,97	0,05	149	25
10	Cereals		0	0,01	24	1
11	Products of the milling industry	0	7,7	0,01	17	3
12	Oil seeds and oleaginous fruits	0,78	1,86	0,19	621	8
13	Lac; gums, resins and extracts		0	0	0,04	1
14	Vegetable plaiting materials		0	0	0,01	1
15	Animal or vegetable fats and oils	0,49	10,49	0,01	34	11
16	Meat of fish or of crustaceans	0	15,3	0	0,009	2
17	Sugars and sugar confectionery	0,9	12,8	0,01	28	10
18	Cocoa & cocoa preparations	0,95		0,02	54	5
19	Cereals, flour, starch or milk	0,37		0,11	359	16
20	Vegetables, fruits, plants	0,8	15,16	0,06	192	19
21	Miscellaneous edible	0,66	11,24	0,09	307	5
22	Beverages, spirits and vinegar	0,91	3,69	0,01	28	14
23	Residues food industries	0	9,6	0,01	19	1
24	Tobacco	0,9	63,54	0,88	2872	10
25	Salt; sulphur, lime & cement	0,85	0	25,95	84334	19
26	Ores, slag and ash		0	0,04	119	2
27	Mineral fuels, mineral oils	0	2,39	0,16	524	7
28	Inorganic chemicals	0,99	4,97	13,26	43111	10
29	Organic chemicals	0	5,78	0,07	228	30
30	Pharmaceutical products		0	1,26	4088	19
31	Fertilisers	1	3,25	14,6	47451	7
32	Tanning, paints and varnishes	0,21	6,2	0,01	21	8
33	Essential oils and resinoids	0,5	2,08	0,17	545	27
34	Soap	0,88	1,61	0,09	298	10
35	Albuminoidal substances	0,49	6,8	0	2	4
36	Explosives, pyrotechnic products		6,32		0	0
37	Photographic	0	5,7	0	1	3
38	Miscellaneous chemicals	0,1	3,01	0,13	418	11
39	Plastics	0,56	6,5	0,32	1043	44
40	Rubber and articles	0	3,4	1,2	3911	17
41	Raw hides and skins & leather		0,4	0,95	3103	5
42	Articles of leather	0	3,46	0,02	54	14
43	Furskins and artificial fur		1,5		0	0
44	Wood products	0	0,36	0,01	48	9
45	Cork products	0	4,7	0	0,05	1
46	Manufactures of straw	0	4,7	0	0,07	1
47	Pulp of wood cellulosic material		0		0	0
48	Paper and paperboard		0	0,11	360	28
49	Printed books, newspapers		0	0,06	210	15



50	Silk		5,18		0	0
51	Wool, fine or coarse animal hair	0	4	0	0,3	1
52	Cotton	0	8	0	1	2
53	Other vegetable textile fibres		3,39		0	0
54	Man-made filaments	0	8	0	0,4	3
55	Man-made staple fibres	0,49	5,2	0,1	336	7
56	Wadding, felt and nonwovens	0,99	4,16	0,12	404	3
57	Carpets and other textile floor	0,52	7,21	0,01	19	11
58	Special woven fabrics	0	5,8	0	0,29	2
59	Impregnated, coated	0	5,1	0	0,03	1
60	Knitted or crocheted fabrics		7,95		0	0
61	Apparel & clothing, knitted or crocheted	0,04	11,98	2,64	8581	77
62	Articles of apparel & clothing, not knitted or crocheted	0,68	11,49	0,49	1608	95
63	Other made-up textiles articles	0,86	9,47	0,12	399	15
64	Footwear	0	11,52	0	2	14
65	Headgear	0	2,31	0	1	3
66	Umbrellas		4,3		0	0
67	Feathers & down	0	4,7	0	0,1	1
68	Articles of stone, plaster, cement	0,25	1,09	0,02	79	11
69	Ceramic products	0,19	5,44	0,02	65	22
70	Glass and glassware	0,64	7,48	0,14	451	21
71	Pearls, precious stones, precious metals	0,97	2,48	12,94	42065	13
72	Iron and steel		0	0,33	1057	5
73	Articles of iron or steel	0,03	2,53	0,31	1003	35
74	Copper & articles	0	0,77	4,63	15056	5
75	Nickel & articles		0	0,01	24	1
76	Aluminium & articles	0,83	5,2	2,84	9219	17
78	Lead & articles	0	2,5	0,12	397	1
79	Zinc & articles	1	5	0,01	44	1
80	Tin & articles		0		0	0
81	Other base metals		0	0,01	21	1
82	Tools, cutlery, of base metal	0	3,35	0,05	148	22
83	Miscellaneous articles of base metal	0,37	1,62	0,01	45	12
84	Nuclear reactors, boilers	0,01	1,51	3,57	11616	186
85	Electrical machinery & equipment	0	2,5	2,44	7932	174
86	Railway or tramway locomotives	0	1,13	0	3	3
87	Vehicles other than railway	0,48	6,57	0,19	622	29
88	Aircraft, spacecraft & parts	0	2,7	1,07	3468	5
89	Ships, boats & floating structures		0	0,47	1511	1
90	Optical, photographic, medical instruments	0	1,46	1,73	5614	113
91	Clocks and watches and parts thereof	0,01	4,43	0,09	283	19
92	Musical instruments	0	3	0	2	5
93	Arms and ammunitions		2,23		0	0
94	Furniture; bedding mattresses	0,14	1,67	0,03	102	26
95	Toys, games and sports requisites	0	2,31	0,07	232	15
96	Miscellaneous manufactured articles	0,8	2,9	0,24	767	24
97	Works of art		0	0,03	98	6
Total			0,77			1495

**Source:** Eurostat for trade data and TRAINS for tariff data.

**Note:** Blanks in column 3 indicate that all imports in that HS category have zero MFN duties. Blanks on column 4 indicate no data for tariff due to specific tariff.

**Table A5: Top 10 preferential margins: export shares and utilization rates (HS4)**

Jordan export to EU						Jordan export to USA				
HS4	Description	Preferential margin	Export share	Utilization rate		HS4	Description	Preferential margin	Export share	Utilization rate
2403	Other manufactured tobacco and manufactured tobacco substitutes	66.07	0.88	0.90		6112	Tracksuits, ski suits and swimwear, knitted or crocheted	28.20	0.01	1.00
2402	Cigars, cheroots, cigarillos and cigarettes, of tobacco	49.67	0.00	0.00		5111	Woven fabrics of carded wool or of carded fine animal hair	25.00	0.00	0.00
0409	Natural honey	17.30	0.00	0.00		6114	Other garments, knitted or crocheted	23.57	1.11	1.00
6401	Waterproof footwear	17.00	0.00	0.00		6106	Women's or girls' blouses, shirts and shirt-blouses, knitted or crocheted	23.38	1.99	1.00
6404	Footwear with outer soles of rubber, plastics, leather	16.97	0.00	0.00		6101	Men's or boys' overcoats, car coats, capes, anoraks and similar articles, knitted or crocheted	23.28	1.78	1.00
6402	Other footwear with outer soles and uppers of rubber or plastics	16.80	0.00	0.00		6102	Women and girls' overcoats, car coats, capes, , anoraks and similar articles, knitted or crocheted	23.28	2.53	1.00
1602	Other prepared or preserved meat, meat offal or blood	16.60	0.00	0.00		6109	T-shirts, singlets and other vests, knitted or crocheted	22.65	4.72	1.00
2005	Other vegetables prepared or preserved otherwise than by vinegar or acetic acid	16.57	0.02	0.81		6105	Men's or boys' shirts, knitted or crocheted	22.03	8.74	1.00
8701	Tractors	16.00	0.00	0.00		6111	Babies' garments and clothing accessories, knitted or crocheted	21.78	0.03	1.00
1517	Margarine; edible mixtures or preparations of animal or vegetable fats or oils	16.00	0.00	0.73		6201	Men's or boys' overcoats, car coats, capes, anoraks and similar articles, not knitted or crocheted	21.30	0.13	1.00

**Source:** Eurostat for trade data and TRAINS for tariff data for the EU; USITC for trade and tariff data for the USA.

**Table A6: Exports > 2% total: utilization Rates and preferential margins (HS4)**

Jordan exports to EU					Jordan exports to USA				
HS4	Description	Export share	Preferential margin (%)	Util. rate	HS4	Description	Export share	Preferential margin (%)	Util. rate
2510	Phosphates	25.86	0.00		6110	Jerseys, pullovers and similar articles, knitted or crocheted	25.69	18.06	1.00
2834	Nitrates	9.94	5.50	0.99	6204	Women's or girls' suits, jackets, dresses, skirts, trousers, not knitted or crocheted	20.50	15.82	0.99
3104	Mineral or chemical fertilisers, potassic	8.61	0.00		6105	Men's or boys' shirts, knitted or crocheted	8.74	22.03	1.00
7108	Gold	6.44	0.00		6104	Women's or girls' suits, jackets, dresses, skirts, trousers, knitted or crocheted	7.94	16.76	0.99
3105	Mineral or chemical fertilisers containing two or three of the fertilising elements nitrogen, phosphorus and potassium	5.99	6.50	1.00	7113	Articles of jewellery	5.52	5.48	1.00
7404	Copper waste and scrap	4.59	0.00		6203	Men's or boys' suits, jackets, dresses, skirts, trousers, not knitted or crocheted	5.21	15.97	0.99
7112	Waste and scrap of precious metal	3.87	0.00		6109	T-shirts, singlets and other vests, knitted or crocheted	4.72	22.65	1.00
0709	Other vegetables, fresh or chilled	3.09	9.97	0.99	6102	Women's or girls' overcoats, car coats, capes, anoraks and similar articles, knitted or crocheted	2.53	23.28	1.00
7602	Aluminium waste and scrap	2.77	0.00		3004	Medicaments	2.20	0.00	
7113	Articles of jewellery	2.38	2.66	0.98	6103	Men's or boys' suits, jackets, dresses, skirts, trousers, knitted or crocheted	2.00	16.71	0.99

**Source:** Eurostat for trade data and TRAINS for tariff data for the EU; USITC for trade and tariff data for the USA



*“Sur quoi la fondera-t-il l’économie du monde qu’il veut gouverner? Sera-ce sur le caprice de chaque particulier? Quelle confusion! Sera-ce sur la justice? Il l’ignore.”*

Pascal



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