Main features of the simplified Rules of origin Agreement EU-Jordan
The purpose of preferential rules of origin

• Imports are generally subject to customs duties
• Rate is the so-called MFN-rate
• Countries can conclude agreements which provide for tariff preferences (reduction or elimination of the customs duties)
• Tariff preferences are only for "originating" goods
• Preferential rules of origin determine the products that can benefit from the tariff preference
Principles of special measure

• Relaxation of Rules of origin for trade from Jordan to the EU

• Addition to existing Protocol 3 to the Association Agreement which covers trade in both directions
Basic Conditions

• The working or processing is carried out in production facilities in a Development Zone or Industrial Area named in the decision 1/2016
• The production facility contains a proportion of employment of Syrian refugees
  • 15% in first and second year of entry into force of the Annex
  • 25% from the beginning of the 3rd year

Jordanian authorities monitor the respect of the conditions; they grant an authorisation number to exporters fulfilling the conditions
What do the new rules imply?

• Rules for meeting the origin requirement are the most generous the EU applies (= GSP LDC)
• It covers almost all industrial products
• Which Products are excluded?
  • Products without duties on importation in the EU (example: Chapter 30 - Pharmaceuticals)
  • Products for which the rules of Protocol 3 and GSP LDC are identical (example: agricultural products)
Additional flexibility provided by the special measure: Some examples
Articles of plastics (HS 3922 to HS 3926)

Current rule in Protocol 3

• Value of the non-originating materials does not exceed 50% of the Ex-works price of the exported product

This means

• The manufacturer can import non-originating materials to a maximum of 50% of the EXW price.
Articles of plastics (HS 3922 to HS 3926)

Rule provided in the special measure

- Manufacture from any heading except that of the product (Change of Tariff Heading = CTH) or
- Value of the non-originating materials does not exceed 70% of the Ex-works price of the exported product
Articles of plastics (HS 3922 to HS 3926)

This means

• The exporter has the choice

• First rule (CTH): no limit on the imports of non-originating materials (100% is allowed) provided the manufactured product is classified in another heading than the imported materials

• Second rule: when non-originating materials of the same heading are used in the processing: the threshold is 70%
Cars and car parts (Chapter 87)

Current rule in Protocol 3
• Value of the non-originating materials does not exceed 40% of the Ex-works price of the exported product

Rule provided in the special measure
• Value of the non-originating materials does not exceed 70% of the Ex-works price of the exported product
Textiles

Relaxation for textiles

Introduction of 'single transformation' compared to 'double transformation'

For clothing, there are 4 stages of production, 3 steps of transformation. Fiber => Yarn (after spinning) => Fabrics (after weaving/knitting) => Clothing (after making-up)
Current rules = 'double transformation'

Clothing chapters 61+62

Pakistan

Weaving

Making-up

European Union
List rules – New Measure

Clothing chapters 61+62

The proposed rule is offering that only the last stage of processing is made in Jordan (making-up).
Proof of origin

- Documents are the ones currently used
- Need for an additional statement
  "Derogation – Annex II(a) of Protocol 3 – [Name of the Development Zone or industrial area] – [authorisation number obtained from the Jordanian authorities]"
- With this statement importers and Customs can easily make a distinction between:
  - exports from Jordan under the special measure
  - exports from Jordan under the already existing rules
Thank You