



Foreign &  
Commonwealth  
Office

# **Continuing the United Kingdom's Trade Relationship with the Hashemite Kingdom of Jordan**

**Agreement establishing an Association between the United Kingdom of Great Britain and Northern Ireland and the Hashemite Kingdom of Jordan**

December 2019





# **Continuing the United Kingdom's Trade Relationship with the Hashemite Kingdom of Jordan**

**Agreement establishing an Association between the United Kingdom of Great Britain and Northern Ireland and the Hashemite Kingdom of Jordan**

Presented to Parliament

by the Secretary of State for Foreign and Commonwealth Affairs

by Command of Her Majesty

December 2019



© Crown copyright 2019

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit [nationalarchives.gov.uk/doc/open-government-licence/version/3](http://nationalarchives.gov.uk/doc/open-government-licence/version/3)

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at [www.gov.uk/official-documents](http://www.gov.uk/official-documents).

Any enquiries regarding this publication should be sent to us at [enquiries@trade.gov.uk](mailto:enquiries@trade.gov.uk)

ISBN 978-1-5286-1709-3

CCS1219728614

12/19

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the APS Group on behalf of the Controller of Her Majesty's Stationery Office

# Contents

<b>Introduction</b>	<b>6</b>
Legal approach	7
Resources	8
<b>Economic background</b>	<b>9</b>
Trade between the UK and Jordan	9
UK businesses exporting to and importing from Jordan	10
Economic impact of the EU-Jordan Association Agreement	11
Potential loss to UK if the UK-Jordan Agreement is not brought into force	11
Immediate impact if not brought into effect	12
<b>Explanation of the UK-Jordan Agreement, including Significant Differences between the UK-Jordan Agreement and the EU-Jordan Association Agreement</b>	<b>15</b>
<b>General Provisions</b>	<b>16</b>
Removal and replacement of references to the EU	16
Territorial Application	16
Continuation of Time Periods	16
Institutions and Committees	16
Amendment Provisions	17
Entry into Force	17
Trade Remedies and Dispute Settlement	18
Approximation	18
<b>Annexes and Protocols</b>	<b>19</b>
Goods	19
Tariff Rate Quotas	19
Entry Price System	20
Rules of Origin	21
Customs	23
Intellectual Property	23
Government Procurement	23
Technical Barriers to Trade	23
Competition, State Aid and State-Owned Enterprises	23
Services	24
Sanitary and Phytosanitary Measures	25
Human Rights	25

## Introduction

1. This report explains the Government's approach to delivering continuity in the trade relationship of the United Kingdom of Great Britain and Northern Ireland (the "UK") with the Hashemite Kingdom of Jordan ("Jordan") as the UK leaves the European Union (the "EU").
2. As the UK leaves the EU, the Government has sought to deliver the maximum possible certainty to businesses and consumers through ensuring continuity in the UK's existing trade relationships. It is in no one's interests to disrupt existing trade flows.
3. To achieve this, the Government has developed new agreements that replicate, as far as possible, the effects of the trade agreements the UK has with existing partners. In the event of either a negotiated agreement or no agreement with the EU, the UK-Jordan Agreement is intended to take effect whenever the EU-Jordan Agreements cease to apply to the UK (or as soon as possible thereafter). In either event, the new agreements will form the starting point for the UK's future trade agreements with its partners.
4. Wherever possible, the Government has sought a technical replication of the existing EU agreements through these new 'continuity trade agreements', but, in some cases, it has applied bespoke solutions for individual agreements as necessary to ensure continuity of effect in a bilateral context.
5. This report gives details of, and explains the reasons for, any significant differences between:
  - a. the Agreement establishing an Association between the United Kingdom of Great Britain and Northern Ireland and the Hashemite Kingdom of Jordan (the "UK-Jordan Agreement"); and
  - b. the Euro-Mediterranean Agreement establishing an Association between the European Communities and their Member States, of the one part, and the Hashemite Kingdom of Jordan, of the other part, done at Brussels on 24 November 1997 (the "EU-Jordan Association Agreement"), and the Protocol between the European Union and the Hashemite Kingdom of Jordan establishing a dispute settlement mechanism applicable to disputes under the trade provisions of the EU-Jordan Association Agreement (the "EU-Jordan Dispute Settlement Mechanism Protocol"), done at Brussels on 11 February 2011, together referred to herein as the "EU-Jordan Agreements".
6. The report first sets out the general drafting changes necessary across all the UK's short form continuity trade agreements which have no significant impact on the UK's current trade relationships. It then considers provisions of the UK-Jordan Agreement, in turn explaining any significant differences between the UK-Jordan Agreement and the corresponding provisions of the EU-Jordan Agreements. To assist the reader, the report includes some discussion of the economic impacts as appropriate. This report focuses solely on the changes made to the existing trading arrangements between the UK and Jordan in preparation for the UK ceasing to be bound by the EU-Jordan Agreements and entering into the UK-Jordan Agreement. Any wider economic impacts resulting from the UK's exit from the EU or the nature of the Future Economic Partnership have been excluded from this report.
7. The UK has agreed with many third countries that the most appropriate and proportionate form of legal instrument to ensure continuity in the current circumstances is a short form agreement which incorporates by reference the relevant provisions of the underlying EU-third country agreement with relatively few but necessary modifications; the advantages of the short form approach are set out below. Other agreements have been drafted in long form to reflect the wishes of the partner countries in question.

## Legal approach

8. The UK and Jordan agreed that using short form agreement was the most pragmatic and sensible approach in the circumstances. The approach taken is similar to that used in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (the “CPTPP”), where Article 1 of the CPTPP incorporates by reference the provisions of the Trans-Pacific Partnership Agreement into and makes them part of, *mutatis mutandis*, the CPTPP. The advantages of this approach include that:
  - a. the short form agreement can be drafted in such a manner as to accommodate different scenarios, such as the various possible outcomes of the UK’s ongoing negotiations with the EU regarding the end state of the UK-EU relationship;
  - b. the format itself will send a clear message to businesses, consumers and investors in both the UK and Jordan that the aim is simply to secure continuity in existing trading arrangements, with the only changes being the ones clearly specified on the face of the Agreement; and
  - c. the approach provides a clear legal text, making rights and obligations unambiguous where they have, by necessity, changed.
9. The UK-Jordan Agreement replicates the effects of the EU-Jordan Agreements as closely as possible, including the establishment of institutional arrangements between the UK and Jordan based on existing structures (such as the Association Council) that allow for the ongoing management and updating of the Agreement.
10. Many of the general changes to the EU-Jordan Agreements (such as replacing “EU” with “UK”) are applied by reading the incorporated text of the EU-Jordan Agreements *mutatis mutandis*, that is, with the technical changes necessary to apply the EU-Jordan Agreements as if they had been concluded between the UK and Jordan in the first instance. This has avoided the need to reproduce every page of the EU-Jordan Agreements and has significantly reduced the volume of text required.
11. Where more substantive amendments were required to ensure operability in a bilateral context, or where the UK and Jordan jointly agreed that *mutatis mutandis* would not deliver adequate certainty over rights and obligations, detailed amendments have been included in the Annexes to the UK-Jordan Agreement.

## Resources

12. This report is intended to aid businesses, consumers and parliamentarians in understanding any significant changes made to the UK's trade relationship with Jordan by the UK-Jordan Agreement and the reasons for these changes and their impact.
13. Should you wish to view the EU-Jordan Association Agreement as originally published, it can be found online on the [European Commission's website](#).
14. More detail, including decisions of the Association Council and Association Committee established under the EU-Jordan Association Agreement for the purpose of administering the EU-Jordan Agreements, can be found on the [EUR-Lex website](#). A consolidated version of the EU-Jordan Association Agreement can also be found on the [EUR-Lex website](#). The consolidated text is not an authoritative version of the EU-Jordan Association Agreement but will assist readers to understand how it has been amended since its entry into force.
15. Should you wish to view the full text of the UK-Jordan Agreement, it will be laid in Parliament alongside an Explanatory Memorandum as part of the UK's treaty ratification process in accordance with the Constitutional Reform and Governance Act 2010 (the "CRaG Act"). The text will also be available on GOV.UK.

## Economic background

16. This section provides a country-specific background analysis of trade between the UK and Jordan.

### Trade between the UK and Jordan

17. Jordan is the UK's 101st largest trading partner,<sup>1</sup> accounting for less than 0.1% of total trade. Total trade in goods and services between the UK and Jordan was £448 million in 2018.<sup>2</sup>

18. In 2018, UK exports to Jordan were £387 million, making it the UK's 88th largest export market (accounting for less than 0.1% of all UK exports). UK imports from Jordan were £61 million, making it the UK's 128th largest import source (accounting for less than 0.1% of all UK imports).

**Table 1: Trade between the UK and Jordan, 2018 (£ million)**

	Trade in goods	Trade in services	Total trade
UK exports to Jordan	258	129	387
UK imports from Jordan	28	33	61
Total trade	286	162	448

Source: [ONS \(2019\), UK total trade: all countries, non-seasonally adjusted](#) (accessed 28th October 2019).

19. Using data from HMRC for trade in goods only, Table 2 shows that the top goods exported to Jordan were machinery and mechanical appliances (HS84, £46 million) and vehicles other than railway or tramway stock (HS87, £41 million), together representing over a third of the total value of goods exported to Jordan. The UK's top goods imported from Jordan were edible vegetables (HS07, £6 million) and aircraft, spacecraft, and parts thereof (HS88, £6 million), together representing over a third of the total value of goods imported from Jordan.

<sup>1</sup> EU member states are treated as individual trading partners with the UK.

<sup>2</sup> [ONS \(2019\), UK total trade: all countries, non-seasonally adjusted](#).

**Table 2: Top 5 UK goods exports and imports from Jordan 2018 (HS2,<sup>3</sup> £ million)**

Top 5 UK goods exports to Jordan	Value	Top 5 UK goods imports from Jordan	Value
Machinery and mechanical appliances	46	Edible vegetables	6
Vehicles other than railway or tramway stock	41	Aircraft, spacecraft, and parts thereof	6
Pharmaceutical products	27	Edible fruit and nuts	4
Electrical machinery and equipment	25	Machinery and mechanical appliances	3
Printed books, papers, printing industry products	11	Articles of apparel and clothing, not knitted	3

Source: [HMRC trade statistics by commodity code](#) (accessed 7th May 2019). Sectors classified according to Harmonised System chapters. Data presented is recorded on a physical movement basis where a good is recorded as an export (import) if it physically leaves (enters) the economic territory of a country.

20. The UK exported £129 million in services to Jordan in 2018 and imported £33 million in services. A detailed breakdown of type of service is not available.

*ONS data is recorded on a 'balance of payments' or 'change of ownership' basis where a good or service leaving (entering) the economic territory of a country is recorded as an export (import) only if it has changed ownership between a resident of the reporting country and a non-resident. Goods exports (imports) are recorded by HMRC if a good physically leaves (enters) the economic territory of a country.*

## UK businesses exporting to and importing from Jordan

21. In 2017, HMRC estimated that around 2,200 VAT registered UK businesses exported goods to Jordan and around 200 imported goods from Jordan.<sup>4</sup> As these figures only include businesses trading in goods, they are likely to underestimate the total number of UK businesses trading with Jordan.

22. For context, provisional survey data from the ONS shows that around 340,500 (non-financial) registered businesses in Great Britain traded in either goods or services or both in 2017 with another country.<sup>5</sup> This was just under 15% of all VAT/PAYE registered businesses. There were around 203,900 (non-financial) registered businesses in Great Britain engaged in goods trade with another country and 194,600 (non-financial) registered businesses trading in services in 2017. Some of these businesses traded in both goods and services. There will be other

<sup>3</sup> The Harmonized System (HS) is an international nomenclature for the classification of products. It allows participating countries to classify traded goods on a common basis for customs purposes.

<sup>4</sup> HMRC, (2018). [Regional trade statistics interactive analysis: second quarter 2018](#). Figures rounded to the nearest hundred.

<sup>5</sup> ONS, (2018). [Annual Business Survey: Non-financial business economy, exporters and importers in Great Britain 2017](#).

businesses trading internationally, which are not identified by these surveys as they are not registered for VAT. Neither of these sources include businesses trading below the VAT registration threshold.

## **Economic impact of the EU-Jordan Association Agreement**

23. The EU-Jordan Association Agreement, which progressively liberalised trade in industrial and agricultural products, was signed in 1997 and entered into force in 2002. The EU and Jordan have also adopted the EU-Jordan Dispute Settlement Mechanism Agreement, which entered into force in 2011. A 2018 European Commission report looking at implementation of EU free trade agreements included information on the EU-Jordan Association Agreement.<sup>6</sup> It highlighted that between 2002 and 2017 EU exports to Jordan increased by 100% and EU imports from Jordan by 14%. In 2017, the UK was one of the four largest importers of products from Jordan among the EU.
24. There are two studies which examine the statistical significance of the impact of the EU-Jordan Association Agreement on trade flows. The earlier study, from 2011, prepared for the European Commission, found that none of the trade estimates for the EU-Jordan Association Agreement were statistically significant.<sup>7</sup> However, a later study from 2017 found that the EU-Jordan Association Agreement had a statistically significant impact by increasing the number of goods traded with Jordan by over 40%.<sup>8</sup> This later study used data covering a longer time period up to 2013, whilst the earlier study only covers the time period up to 2008.

## **Potential loss to UK if the UK-Jordan Agreement is not brought into force**

25. The UK-Jordan Agreement not being applied would result in UK businesses losing access to the preferences provided in the EU-Jordan Association Agreement. This would include the re-imposition of many tariffs, returning to World Trade Organization (“WTO”) Most-Favoured-Nation (“MFN”) treatment with Jordan. The benefits derived from trading under the preferences provided by the EU-Jordan Association Agreement, such as increases in trade flows, may then be reversed.
26. It is unlikely that the entire effect of the EU-Jordan Association Agreement would disappear. Tariffs would revert to MFN rates, but it could take longer for some of the other benefits to be lost. Some gains might endure even in the long-term. For example, the UK might still benefit from any regulatory arrangements agreed because of the EU-Jordan Association Agreement. Business connections formed because of the EU-Jordan Association Agreement might also endure.

<sup>6</sup> European Commission. (2018). [‘Individual reports and info sheets on Implementation of EU Free Trade Agreements’](#).

<sup>7</sup> Bergstrand J, et al. (2011). [‘Ex-post Assessment of Six EU Free Trade Agreements’](#). Copenhagen Economics, pp. 1-72.

<sup>8</sup> Soete S and Van Hove J. (2017). [‘Dissecting the Trade Effects of Europe’s Economic Integration Agreements’](#). *Journal of Economic Integration*, 32(1), pp. 193-243.

27. The size of the impact of not bringing into force or applying the UK-Jordan Agreement would depend on the responsiveness of trade flows to increased costs brought about by the loss of access to the preferences provided under the Agreement.<sup>9</sup>

## Immediate impact if not brought into effect

### Impact of tariffs under current MFN rates<sup>10</sup>

28. Much international goods trade takes place in products for which MFN tariff rates are already zero. However, trade and association agreements provide additional opportunities by reducing tariffs in products where this is not the case. If the UK-Jordan Agreement is not brought into effect, tariffs on products traded between the UK and Jordan will revert to MFN rates, other than where Jordan benefitted from preferential access to the UK market under a unilateral preference scheme that the UK is implementing after EU exit (the Generalised Scheme of Preferences, “UK GSP”). This would lead to an increase in duties on some UK exports to, and imports from, Jordan.

29. To estimate the potential impact of losing tariff preferences, assumptions have to be made. If all current trade between the UK and Jordan occurred at the negotiated preferential tariff rates and if current patterns of trade remained unchanged in future and without taking into account the effect of unilateral preferences other than the UK’s GSP tariff rates, reverting to the Jordan’s current MFN tariff rates and the UK’s GSP tariff rates would result in an annual increase in total duties of over £19 million. This would predominately be duties on UK exports to Jordan increasing by around £18 million, with duties on imports from Jordan increasing by over £1 million.<sup>11</sup>

30. However, these estimates assume that all tariff preferences provided by the EU-Jordan Association Agreement are fully utilised by exporters. This is unlikely to be true. For example, evidence suggests that in 2016 only 62% of the UK’s eligible goods imports from Jordan (defined as those which occurred under tariff lines where a preferential rate was offered under the EU-Jordan Association Agreement) were imported utilising the preferences provided by the EU-Jordan Association Agreement.<sup>12</sup>

31. Similar data on UK eligible goods exports to Jordan is not publicly available. The European Commission has recently published available data on preference utilisation of exports to selected trade agreement partner countries. For these countries, 68% of UK eligible goods

<sup>9</sup> Head K and Mayer T. (2014). '[Gravity Equations - Workhorse, toolkit and cookbook](#)'. *Handbook of International Economics*, 4, pp. 131-195

Dhingra S, et al. (2018). '[Beyond Tariff Reductions: What Extra Boost From Trade Agreement Provisions?](#)'. *CEP Discussion Paper No 1532*, LSE, pp. 1-38.

<sup>10</sup> Tariff schedules used in this impact assessment are the applied tariff rates, not bound tariff rates.

<sup>11</sup> DIT calculations using tariff data from [ITC Market Access Map \(MacMap\)](#) and [HMRC trade statistics](#) (accessed March 2019). Implied additional duties are calculated using the difference in MFN and preferential tariff rates and the 2018 value of trade for each product at HS6 level. Different approaches and data sources for this analysis are likely to yield different results. The estimate of implied additional duties may be different to that which would be generated if trade and tariff data at a more disaggregated level (CN8 level) were used.

<sup>12</sup> DIT calculations using data from [Eurostat](#) (accessed 10<sup>th</sup> October 2019). Note that using a single year does not account for fluctuating trends in bilateral trade flows, which can be significant. In general, data on the preference utilisation of trade deals is not readily accessible and should be treated with caution. They indicate whether businesses trading in goods are benefitting from negotiated preferences, but do not tell us which or how many businesses are using these preferences. Nor do they cover services trade.

exports were traded under preferences.<sup>13</sup> This means that the actual increase in duties could be substantially lower than the estimates above.

32. The total duty which would in fact be charged on exports and imports would depend on how quantities and prices of traded products adjusted to the imposition of tariffs. If UK producers were not previously utilising the preferential rates or producers and consumers changed their behaviour in response to higher tariffs, this cost would be lower than estimated above. These are strong assumptions, so this figure should be treated as an indicative estimate of the magnitude of the trade barrier under this scenario.
33. The indicative estimates show that the largest implied increases in UK export duties would be for machinery and mechanical appliances (HS84) of up to £3 million and vehicles other than railway or tramway stock (HS87) of up to £3 million, which correspond to the top UK goods exported to Jordan.
34. As noted above, the UK is implementing a unilateral tariff preferences scheme as it leaves the EU (the UK GSP). It is the Government's intention that countries that currently benefit from unilateral preferential access to the EU through the Generalised Scheme of Preferences ("EU GSP") would continue to receive the same unilateral preferential access under the UK GSP. When the UK leaves the EU, the UK will follow the EU GSP eligibility criteria. As such, the UK has listed Jordan as an eligible developing country in Schedule 3 of the Taxation (Cross-border Trade) Act 2018 which empowers the Secretary of State to make regulations granting Jordan, amongst other eligible countries, unilateral preferential treatment under the UK GSP.<sup>14</sup> This would provide some tariff reductions to Jordan, but not at the same level of access as that offered by the UK-Jordan Agreement.
35. Accounting for unilateral preferences, the largest implied increases in import duties would be for edible vegetables (HS07) of around £0.6 million, and apparel and clothing accessories (not knitted) (HS62) of under £0.3 million.
36. Indicative estimates of implied additional tariff duties are provided above to give a sense of scale of possible additional costs of trade. Tariff duties are transfers, where the cost to business is equal to the extra tariff revenue collected by the UK Exchequer and the Jordanian Government. However, depending on businesses' response to the change in duties, there could be wider effects of increased costs of trade, including negative impacts on consumer choice, prices, and ultimately economic growth and welfare. Estimates of implied additional duties, therefore, do not constitute an estimate of the impact.

## **Businesses**

37. Additional duties could be absorbed by either UK or Jordanian businesses (depending on whether it is the importer or exporter paying the duty), be passed on to consumers, or existing

<sup>13</sup> Nilsson L and Preillon N. (2018). [‘EU Exports, Preferences Utilisation and Duty Savings by Member State, Sector and Partner Country’](#). European Commission, pp. 1-17. This report uses data collected by EU Delegations from relevant authorities in countries with which the EU has bilateral reciprocal Association Agreements in place.

<sup>14</sup> The Taxation (Cross-border Trade) Act 2018 enables the UK to put in place a UK trade preferences scheme for developing countries. The necessary secondary legislation is now well-advanced and regulations will be laid in Parliament ahead of the UK leaving the EU. The Government intends to put in place a unilateral trade preference scheme which maintains the preferential market access the UK currently offers to around 70 developing countries under the EU GSP. This will grant duty-free, quota-free access to Least Developed Countries which is a target in the UN's Sustainable Development Goals and is in line with our commitments in the WTO. It will also maintain the generous tariff reductions for other developing countries.

trade patterns could be interrupted. This could impact UK competitiveness, leading to disruptions in supply chains and job losses in the short term.

38. Businesses that rely on imports as part of their supply chains may be affected if import prices rise, including UK exporters that rely on Jordanian inputs to export goods to the rest of the world. In 2016 (latest data), around 15.4% of the value added in UK's gross exports reflected imports from abroad, though the data does not provide how much of this added value comprises imports from Jordan.<sup>15</sup> UK companies which rely on Jordanian imports would also become less competitive. Given the small share of UK trade under the EU-Jordan Association Agreement it is expected that any impacts would be relatively small, but could be noticeable for some specific companies.

## **Consumers**

39. Imported products could be more expensive for consumers if retailers pass on additional duties to consumers through increases in domestic prices. This could disproportionately affect certain groups of consumers, for example, those at the lower end of the income distribution, depending on the specific sectors affected. Consumers might also see a reduction in the choice of products and services available. Given the small share of UK-Jordan trade under the EU-Jordan Association Agreement, it is expected that these impacts would be relatively small overall, but could be noticeable on specific product lines.

## **Longer-term impact**

40. In the long run, the UK would forgo the longer-term benefits that the UK-Jordan Agreement would have brought the UK. This could result in the long-term UK Gross Domestic Product ("GDP") marginally decreasing if the Agreement is not brought into effect. Given the small share of UK trade under the EU-Jordan Association Agreement, it is expected that any impact on UK GDP would be relatively small.

<sup>15</sup> OECD, 2018. [Trade in Value Added \(TiVA\): Origin of value added in gross exports, December 2018](#). Experimental statistics.

## **Explanation of the UK-Jordan Agreement, including Significant Differences between the UK-Jordan Agreement and the EU-Jordan Association Agreement**

41. The UK-Jordan Agreement follows the short form approach explained above in paragraphs 8 to 11. Beyond the general *mutatis mutandis* changes, this section describes global changes made to continuity free trade agreements following the short form approach and goes on to provide a detailed discussion of the UK-Jordan Agreement.

### **Nature of the EU-Jordan Association Agreement and the UK-Jordan Agreement**

42. Technical transition of the EU-Jordan Association Agreement with few necessary changes means that the substance of the new UK-Jordan Agreement is broadly the same. This includes on those issues of particular importance such as human rights and democratic principles.

## General Provisions

### Removal and replacement of references to the EU

43. Where necessary, any references to the “European Union”, “the European Community”, the “EU” “and “Member States” are either not incorporated into the UK-Jordan Agreement or replaced by “the United Kingdom”. Similarly, references to EU institutions have either not been incorporated or replaced with appropriate references to the equivalent institutions in the UK. All other references to the “European Union”, “the European Commission”, the “EU”, the “European Community”, “Member States” and similar terms are read, *mutatis mutandis*, as references to the UK.

### Territorial Application

44. Territorial application provisions set out the territories to which the agreement in question applies, and how it applies to them. The territorial application of the EU-Jordan Association Agreement to the EU is defined by reference to the Treaties establishing the European Community and the European Coal and Steel Community.<sup>16</sup> The UK-Jordan Agreement retains this provision and includes an additional article, Article 6, which clarifies that the UK-Jordan Agreement applies to the UK and the territories listed in Article 6 to the extent that and under the conditions which the EU-Jordan Agreements applied immediately before they ceased to apply to the UK. Notwithstanding, the Agreement will only apply to Gibraltar, the Channel Islands and the Isle of Man from the date of written notification by the UK to Jordan of the application of the Agreement to those territories. The territories, other than the UK itself, to which the UK-Jordan Agreement applies are separated into the following categories based upon the application of EU law to date:

- a. the Crown Dependencies (Isle of Man, Bailiwick of Jersey, Bailiwick of Guernsey), to which, broadly, provisions relating to trade in goods and customs apply; and
- b. Gibraltar, to which, broadly, provisions not relating to trade in goods or customs apply.

### Continuation of Time Periods

45. Provisions of the EU-Jordan Agreements that require an action to be completed within a certain timeframe which has not yet ended under those Agreements become part of the UK-Jordan Agreement reflecting only the remaining time in which the action must occur. Where time periods in such provisions of the EU-Jordan Agreements have ended, any ongoing right or obligation continues to apply between the UK and Jordan (the “Parties”) and the time period is not incorporated into the UK-Jordan Agreement.

46. These outcomes are provided for by Article 7 of the UK-Jordan Agreement, which also sets out an exception for time periods which relate to a procedure or other administrative matter, such as a review, committee procedure or notification. These periods are not affected and therefore ‘start again’ when the UK-Jordan Agreement enters into force. Under Article 7, time periods can also be dealt with differently if the short form text provides otherwise.

### Institutions and Committees

47. Most of the institutional provisions and bodies provided for in the EU-Jordan Agreements have been incorporated, *mutatis mutandis*, into the UK-Jordan Agreement. The primary bodies

<sup>16</sup> The Treaty establishing the European Coal and Steel Community is no longer in force.

responsible for overseeing the operation and implementation of the UK-Jordan Agreement are the Association Council (the “Council”) and the Association Committee (the “Committee”). The Council and the Committee are comprised of representatives of the UK and Jordan.

48. Article 8 confirms that the Committee, established under incorporated Article 92, is responsible for ensuring the Agreement operates properly. Article 8 further provides that, unless the Parties agree otherwise, the Council and the Committee are deemed to have adopted the decisions of the Association Council and Association Committee established under the EU-Jordan Association Agreement before the EU-Jordan Agreements ceased to apply to the UK, to the extent those decisions relate to the UK and Jordan, *mutatis mutandis*. This approach provides for continuity of effect as it ensures that the decisions in force when the EU-Jordan Agreements ceased to apply to the UK continue to apply under the UK-Jordan Agreement.

## **Amendment Provisions**

49. Amendment provisions set out the process to be followed if the parties agree to amend an agreement after it enters into force. Though parties to an agreement are generally free to amend it as they deem necessary, amendment provisions serve to make the process clearer and more transparent.
50. Article 10 of the UK-Jordan Agreement is an amendment provision which outlines the process to be followed if the Parties agree to amend the Agreement after it enters into force. Article 10 provides that the Parties may agree, in writing, to amend the Agreement. Such amendments shall enter into force on the first day of the second month following the date of receipt of the later of the Parties’ notifications by which they notify each other that they have completed their internal procedures, or on such date as the Parties may agree. In the UK, amendments made to the UK-Jordan Agreement that are, pursuant to Article 10(1) of the Agreement, expressly subject to a formal exchange of notes to confirm completion of internal procedures would engage the Parliamentary scrutiny process set out in the CRaG Act.
51. Except where otherwise provided in the UK-Jordan Agreement, the Council (or the Committee insofar as such powers are delegated to it) may also decide that the annexes, appendices, protocols, joint declarations and notes to the Agreement should be amended. The Parties may adopt the Council or the Committee’s decision subject to their own internal procedures. It is in the UK’s interests for the Council and the Committee to have this function to ensure continuity of effect of the EU-Jordan Agreements, as far as possible, and to streamline the process of making changes to the UK-Jordan Agreement where required.
52. The inclusion of an amendment provision in the UK-Jordan Agreement does not commit the UK to making any changes to the Agreement once it enters into force. It simply sets out a process which may be used if needed. Therefore, the inclusion of an amendment provision is not expected to have an impact on the operability of the Agreement in a bilateral context.

## **Entry into Force**

53. Entry into force provisions specify the date from which the provisions of an agreement will bind the parties. Existing entry into force provisions in the EU-Jordan Agreements have been replaced with new provisions to ensure that, whatever the scenario in which the EU-Jordan Agreements cease to apply to the UK, the UK-Jordan Agreement enters into force as swiftly as possible thereafter.
54. Article 11 of the UK-Jordan Agreement provides that the Agreement shall enter into force on the first day of the second month following the date of the later of the notifications by which each of the Parties notify the other in writing of the completion of the procedures required by its

law for the entry into force of the Agreement, provided that this date is a date after which the EU-Jordan Agreements cease to apply to the UK.

55. For the UK-Jordan Agreement to enter into force, both Parties must first complete their domestic legal procedures required for entry into force. In UK domestic law, before an agreement subject to ratification (as that term is defined in domestic law) may be brought into force, it must be laid before Parliament for scrutiny in accordance with the CRaG Act.
56. Notwithstanding, the UK-Jordan Agreement will only enter into force with respect to Gibraltar, the Channel Islands and the Isle of Man from the date of written notification by the UK to Jordan of the application of the Agreement to those territories.

## **Trade Remedies and Dispute Settlement**

57. Trade remedies provide a safety net for domestic industry against unfair or injurious trading practices caused by dumped, subsidised or unexpected surges of imports of goods. Most WTO members have a trade remedies regime. The UK will operate its own regime once outside the EU.
58. The economic benefits of trade and association agreements can only be realised if they are faithfully implemented and complied with. A dispute settlement mechanism in an agreement signals the parties' intention to abide by the agreement, thereby increasing business and stakeholder confidence that the commitments set out in the agreement can, and will, be upheld. The dispute settlement mechanism therefore provides an important deterrent function. It also provides an effective mechanism for enforcing those commitments, and for resolving any disputes arising under the agreement in question.
59. The UK-Jordan Agreement replicates the effects of the trade remedies and dispute settlement provisions in the EU-Jordan Agreements, *mutatis mutandis*.
60. One of the impacts of transitioning the dispute settlement provisions in the existing EU trade and association agreements is that, in the event that a dispute arises, the UK will be directly responsible for any relevant costs associated with the dispute settlement process.

## **Approximation**

61. Provisions regarding legal approximation are used by the EU in trade and association agreements to bring, or to aim to bring, third country legislation closer to that of the EU in areas covered by the agreement in question.
62. Unless their removal affects market access, provisions mandating or promoting the gradual approximation of legislation between the EU and Jordan have been removed. Maintaining these commitments would, when read *mutatis mutandis*, require our partners to approximate to both the UK and the EU's legislation, thereby creating an inappropriate commitment in a bilateral context. This change is not expected to have a direct impact on trade.

# Annexes and Protocols

## Goods

63. Goods chapters in trade and association agreements set out the treatment and the level of access to the domestic market granted to goods of the respective parties. Such provisions include setting tariff levels and quotas on various products, establishing agricultural safeguards and determining the rules of origin for goods to qualify for preferential treatment. Commitments on tariffs for both the UK and Jordan have, other than in those cases detailed below, been transitioned without changes. This means that tariff preferences applied by the UK for products from Jordan will remain the same as those applied by the EU on the date the UK ceases to be bound by the EU-Jordan Agreements and, likewise, Jordan will continue to apply the same tariff preferences to products from the UK that it is applying to products from the EU covered by the EU-Jordan Association Agreement.
64. The only exception to tariff commitments being transitioned without modifications relates to the size of tariff-rate quotas (see below), which can be found in Section 9 of Annex I to the UK-Jordan Agreement (concerning Protocol 1 of the EU-Jordan Association Agreement, as incorporated) where these have to be resized to address the fact that the UK will no longer be an EU Member State. These changes are detailed further below.

## Tariff Rate Quotas

### Justification for policy change

65. Tariff-rate quotas (“TRQs”) allow a certain quota of a product to enter the market at a zero or reduced tariff rate. Imports above the quota are subject to a higher tariff rate – usually the MFN rate. The EU has agreed TRQs, both for imports to the EU and to partner countries, in some of its trade and association agreements. In order for products to be able to continue to benefit from the use of these TRQs bilaterally in trade between the UK and third countries, these quotas need to be present in the new UK agreements with those partners.
66. TRQs administered by the UK and partner countries have been resized to reflect the fact that the UK is a smaller import and export market than the EU. Solutions were agreed with partner countries to set quotas to a sufficient level that would allow for continuity of historical trade flows, in most circumstances, for importers and exporters from both sides.
67. Where possible, TRQs have been resized based on three years’ worth of customs data, which details actual usage of the TRQs by importers. This customs data is held by HMRC which records the volume and date of entry of shipments of goods that enter the UK claiming TRQ preferences. Where three years’ worth of customs data is not available, trade flow data has been used instead. In order to address future market access opportunities for UK and Jordanian businesses, it was also agreed that a minimum level of access should be provided for all quotas, based on a proxy measure relevant to UK trade. Doing so allows future market access opportunities for UK and Jordanian businesses using a fair and evidence-based methodology.
68. The TRQs provided in the UK-Jordan Agreement have been calculated using historic trade flow data.

## Impacts

69. Without transitioning the TRQs from the EU-Jordan Association Agreement into the UK-Jordan Agreement, and without any other mitigating actions, goods imported from Jordan that are currently covered by TRQs in the EU-Jordan Association Agreement could face MFN tariffs. This could make these imports more expensive. The nature of this impact will depend on a number of factors, including existing trading patterns and the behaviour and responsiveness of domestic consumers and businesses to the change in tariff. Based on historic usage of TRQs provided by the EU-Jordan Association Agreement, it is expected that the overall, immediate impact on UK producers and consumers resulting from this approach to resizing TRQs would be limited.

## Inward TRQs

70. See the UK-Jordan Agreement text for more detail of agreed TRQs, such as tariff lines.

**Table 3: List of TRQs from Jordan to the EU and new UK quota volumes in the UK-Jordan Agreement**

Quota No.	Product description	New UK quota volume (tonnes)
091152	Fresh cut flowers and flower buds of a kind suitable for bouquets or for ornamental purposes	1,634
091166	Virgin olive oil	1,634

## Outwards TRQs

71. There are no outward TRQs to Jordan provided for in the UK-Jordan Agreement.

## Entry Price System

72. The European Union's (EU) Entry Price System (EPS) is a variable tariff mechanism applying to 15 types of fruits and vegetables. The system applies to apples, apricots, artichokes, cherries, clementines, courgettes, cucumbers, lemons, mandarins, oranges, peaches/nectarines, pears, plums, table grapes and tomatoes during their respective, approximate European growing seasons.

73. Under the EPS, a specific duty is charged in addition to the ad valorem duty, whenever the price at which the goods are imported is below a pre-determined entry price. The specific duty varies depending on the difference between the entry price and the import price of the goods. In most cases, if the import price of the consignment undercuts the entry price by more than 8%, the full bound tariff is applied. These entry prices and specific tariffs are bound in the EU's WTO Goods Schedule.

## Justification for policy change

74. The UK is retaining the flexibility to implement an EPS following its withdrawal from the EU. Section 9(a) of Annex I to the UK-Jordan Agreement ensures the UK's right to operate an EPS, which reflects the EU EPS, at the time the UK-Jordan Agreement comes into effect.
75. This provision ensures that the UK's right to apply an EPS is incorporated into the UK-Jordan Agreement in line with the objective of continuity. However, the UK will have no obligation to apply an EPS.

## Impact

76. In the event that the UK applies an EPS, the Agreement provides that the ad valorem part of the duty is eliminated, but an additional specific duty is retained. Where preferential entry prices are stipulated in the EU-Jordan agreement, these would continue to be available to Jordan under the new UK agreement. This approach is consistent with the preferential terms outlined in the existing EU-Jordan Association Agreement. The UK retains the right to 'switch on' an EPS at any point after the Agreement comes into effect, but it does not have an obligation to do it.
77. The UK's WTO Goods Schedule (published 24 July 2018) replicates the entry prices and specific tariffs as bound in the EU's WTO Schedule. Any future UK Entry Price System will therefore have entry prices and specific duties no higher than those specified in the UK's WTO Goods Schedule. A future UK system will therefore not represent less favourable market access.

## Rules of Origin

78. In trade and association agreements, rules of origin ("RoOs") are used to determine the economic nationality of a good. In order to qualify for preferential tariff rates, a good must "originate" in one of the parties to the agreement. Trade and association agreements may also allow materials originating and/or processing in a country other than the exporting party to count towards meeting the specific origin requirements for preferential treatment, a process known as "cumulation".
79. There are two categories relevant to determining whether goods "originate" in the exporting country for the purposes of trade and association agreements:
- a. **Wholly obtained** – These goods are wholly obtained or produced entirely in a single country. Examples include: (i) mineral products extracted from the soil; and (ii) live animals born and raised there.
  - b. **Substantial transformation** – These goods are made from materials which come from more than one country, and the origin is therefore defined as that of the country where the goods were last substantially transformed. This can be determined in three ways:
  - c. **Value added** – This type of rule requires that a particular proportion of the final value of the product be added in the exporting country.
  - d. **Change in Tariff Classification ("CTC")** – This type of rule requires that the final product be sufficiently different from the imported materials so that it moves to a different tariff classification altogether.
  - e. **Specific processing or manufacturing** – These rules typically apply where value added or CTC rules may not adequately determine originating status, and where specific processes are required to meet originating criteria.

80. As a member of the EU, all UK content is currently considered as “originating” in the EU and UK exports are designated as “EU origin”. This means that originating materials from and processing in the UK and the rest of the EU-27 Member States can be used interchangeably in the UK’s bilateral trade with existing EU trade partners. This will no longer be the case when the existing EU trade and association agreements cease to apply to the UK.
81. At this point, the designation of UK exports will shift from “EU” originating, to “UK” originating and EU content will (unless specific provision is made in the new UK continuity trade agreements) no longer count towards meeting the origin requirements for preferential treatment for either party. This change would have implications for goods traded between the UK, EU and Jordan.
82. To address these implications and to provide maximum continuity for business, the UK-Jordan Agreement provides that EU materials can be recognised (i.e. cumulated), in UK and Jordan exports to one another. Furthermore, EU working, or processing can be recognised (i.e. cumulated) in UK exports to Jordan. The possibilities to cumulate with other countries, as per the EU-Jordan Association Agreement, are replicated in the UK-Jordan Agreement on the same terms.
83. Jordan and the UK (as part of the EU) are currently contracting parties to the Regional Convention on pan-Euro-Mediterranean preferential rules of origin (the “PEM Convention”). The PEM Convention is a multilateral agreement that harmonises preferential RoOs across the Euro-Mediterranean Free Trade Area and provides for cumulation between contracting parties to the PEM Convention. The EU and Jordan have not updated the bilateral RoOs Protocol to the EU-Jordan Association Agreement to apply the PEM Convention between themselves. As a result, the UK-Jordan Agreement transitions the provisions of Protocol 3 of the EU-Jordan Association Agreement in a bilateral context with modifications.
84. The text of the RoOs Protocol can be found in Annex II of the UK-Jordan Agreement and the cumulation provisions, including the specific conditions that apply to them, are set out in detail in Articles 3 and 4 of the RoOs Protocol.

## **Impact**

85. If cumulation of EU content for the UK and Jordan was not permitted under the UK-Jordan Agreement, some UK and Jordanian based exporters could find themselves unable to qualify for preferential treatment currently provided by the EU-Jordan Association Agreement. UK exporters to Jordan who rely on EU inputs might have to revert to paying MFN tariffs if they continued using EU inputs, or they might have to review and reassess their existing supply and value chains as a result of this change to existing terms. The impact would, of course, vary across sectors.
86. The UK-Jordan Agreement provides only for trade between the UK and Jordan, and does not provide for either the UK or Jordan’s direct trade with the EU, including, for example, where UK and Jordan based exporters use content from each other in exports to the EU.

## Customs

87. The UK-Jordan Agreement incorporates the customs provisions of the EU-Jordan Association Agreement, *mutatis mutandis*. However, minor changes have been made to the following provisions of Protocol 4:
- a. Article 10, by removing the reference to the provisions on confidentiality and information exchange applying to the EU institutions;
  - b. Article 13, by removing reference to the competent services of the European Commission; and
88. In addition, Article 14, which relates to the relationship between the EU-Jordan Association Agreement and any bilateral agreements between Jordan and an EU Member State, was not incorporated into the Agreement as this provision is no longer relevant in the bilateral context. We do not expect these changes to have an impact on trade flows.

## Intellectual Property

89. The UK-Jordan Agreement continues the UK's obligations to provide suitable and effective Intellectual Property ("IP") protection in line with international standards and to cooperate with Jordan on aspects of IP. It achieves this outcome by incorporating the relevant provisions of the EU-Jordan Association Agreement, *mutatis mutandis*. The UK-Jordan Agreement also retains the obligation from the EU-Jordan Association Agreement which requires Jordan to ratify or accede to various international IP agreements. As the UK-Jordan Agreement replicates the effects of the current obligations under the EU-Jordan Association Agreement, there is not expected to be an impact on trade flows.

## Government Procurement

90. In line with the EU-Jordan Association Agreement, the UK-Jordan Agreement does not include substantive public procurement obligations. However, the Parties retain their objective of gradually liberalising their respective public procurement markets by incorporating the relevant procurement provisions into the UK-Jordan Agreement, *mutatis mutandis*. This is not expected to have an impact on trade flows.

## Technical Barriers to Trade

91. Technical Barriers to Trade ("TBT") provisions in trade and association agreements cover aspects relating to technical regulations, standards and conformity assessment for goods. They play an important role in reducing non-tariff barriers for businesses, for example, through increasing the transparency of a trading partner's regulatory requirements. In the EU-Jordan Association Agreement, Articles 57, 68(b) and 68(c) relate to TBT and are incorporated into the UK-Jordan Agreement, *mutatis mutandis*.
92. In the EU-Jordan Association Agreement, Article 68 (a) relates to approximation of rules in standardisation, metrology, quality control and conformity assessment which, as explained in paragraphs 61 and 62 are not appropriate in a bilateral context. As such, there are no expected impacts on trade flows.

## Competition, State Aid and State-Owned Enterprises

93. Provisions in trade and association agreements relating to competition, state aid and state-owned enterprises help to ensure a level playing field exists for the parties. Specific references in the EU-Jordan Association Agreement to EU competition and state aid rules have not been

incorporated into the UK-Jordan Agreement. In particular, Article 53(2) and the second bullet point in Article 53(5) of the EU-Jordan Association Agreement have not been incorporated into the UK-Jordan Agreement. These provisions provide that certain practices which conflict with the EU-Jordan Association Agreement shall be assessed on the basis of criteria arising from the application of EU rules and it would not be appropriate to replicate such provisions in a bilateral context. The removal of these provisions is not anticipated to impact British businesses as they will continue to be subject to UK domestic law which will be consistent with the provisions of the UK-Jordan Agreement. The Agreement will also not affect the financial support the Government provides to UK agricultural and fishing industries and is not expected to have an impact on trade flows.

## Services

94. Service provisions in trade and association agreements set out the treatment and the level of access to the domestic market granted to that trade partner's service suppliers and services. Commitments build upon the level of access and the treatment granted to all WTO Members, whilst protecting governments' rights to regulate their domestic markets.
95. In the EU's trade and association agreements with third countries, the content of the services provisions and depth of the commitments undertaken vary considerably. The variety of these services provisions have, in some cases, necessitated a bespoke approach to deliver continuity in services commitments between the UK and the relevant partner country. Some agreements have not required amendment whilst others have required technical alteration to deliver continuity of effect. Where such technical changes have been necessary the effects have been replicated as far as possible.
96. The services provisions of the EU-Jordan Association Agreement are set out in Title III. Article 40(3) contains a specific reference to the approximation of legislation between the EU and Jordan in respect of activities mentioned therein. This reference has not been incorporated into the UK-Jordan Agreement as it would be inappropriate to expect Jordan to approximate to both EU and UK laws.
97. The other services provisions set out in Title V of the EU-Jordan Association Agreement and incorporated into the UK-Jordan Agreement have been amended as follows:
  - a. reference to Jordanian participation in Community scientific and technological research and development programmes in accordance with existing provisions concerning the participation of third countries has been removed because these programmes are specific to the EU;
  - b. reference to Jordanian participation in networks of decentralised cooperation has not been incorporated because these networks are specific to the EU;
  - c. reference to Jordan adhering to Community rules or standards (or similar) or the Parties approximating rules or standards have not been incorporated. This is because it would be inappropriate to require Jordan to adhere to both EU and UK rules or standards;
  - d. reference to "the main trans-European communication routes" has not been incorporated as this commitment is EU specific; and
  - e. reference to interconnecting the Parties' energy networks has not been incorporated as such a commitment would be inappropriate in a bilateral context.
98. The above changes are not expected to have any direct impact on trade flows.

## **Sanitary and Phytosanitary Measures**

99. The right for the UK and Jordan to apply prohibitions or restrictions on trade in goods under the UK-Jordan Association Agreement on the basis of various public policy reasons, including the protection of health and life of humans, animals or plants, is preserved through the incorporation of Articles 27 and 71 of the EU-Jordan Association Agreement.

## **Human Rights**

100. The provisions of the EU-Jordan Association Agreement concerning human rights are incorporated into the UK-Jordan Agreement, *mutatis mutandis*. Accordingly, the UK-Jordan Agreement provides that respect of democratic principles and fundamental human rights constitutes an essential element of the Agreement. In the event of a material breach of the UK-Jordan Agreement by one of the Parties, appropriate measures may be taken in accordance with international law, including the suspension of the Agreement. Incorporating these provisions is not expected to have a direct impact on trade flows





CCS1219728614

978-1-5286-1709-3