
**Committee on Regional Trade Agreements
Thirty-Sixth Session**

**EXAMINATION OF THE FREE TRADE AREA BETWEEN THE
UNITED STATES AND JORDAN, GOODS AND SERVICES**

Note on the Meeting of 29 March 2004

Chairman: Mr. R. Saborío (Costa Rica)

1. The meeting was convened in document WTO/AIR/2276/Rev.1.
2. Under Agenda Items C.IV of its Thirty-Sixth Session, the Committee on Regional Trade Agreements (hereinafter CRTA or the Committee) took up the first round of examination of the goods and services aspects of the Free Trade Agreement (FTA) between the United States and Jordan. The following topics were discussed:
 - A. General Remarks

Goods Aspects

 - B. Section I – Background Information on the Agreement
 - C. Section II – Trade Provisions
 - D. Section III – General Provisions of the Agreement

Services Aspects

 - E. Section I – Background Information on the Agreement
 - F. Section II – Provisions Affecting Trade in Services
3. The Chairman noted that it was the first round of examination of the goods and services aspects of the FTA between the United States and Jordan. The Agreement had been signed on 24 October 2000 and had entered into force on 17 December 2001. The goods aspects of the Agreement had been notified to the WTO in March 2002 (document WT/REG134/N/1 and, in its English version only, Corrigendum 1) while the services aspects of the Agreement had been notified in October 2002 (document S/C/N/193). The text of the Agreement had been distributed in document WT/REG134/1. He proposed to organize the examination by first asking the Parties and other Members for general comments, both on the goods and services aspects of the Agreement, and then to turn to the specifics, looking first at the goods aspects, followed by the services aspects, and using the Standard Formats, documents WT/REG134/3 and WT/REG134/4, respectively, to guide the debate. Before giving the floor to the Parties for their general statements, he recalled that the terms of reference for the examination of the goods aspects had been adopted on 22 March 2002 by the Council for Trade in Goods as contained in document WT/REG134/2 and that the decision to refer the services aspects of the Agreement for examination in the CRTA had been taken on 25 October 2002 by the Council for Trade in Services, as contained in document S/C/M/63.
 - A. GENERAL REMARKS
4. The representative of the United States stated that the Parties were pleased to present the United States-Jordan FTA and their economic partnership. The Agreement, signed in 2000, was the

product of extensive collaboration in economic relations, and followed upon Jordan's 1999 accession to the WTO. Through those endeavours, the United States had strongly supported Jordan's efforts to build its trade capacity. Jordan's commitment to free trade and economic reform was producing many benefits. While indicating that these would be discussed later in more detail by the Jordanian delegation, she noted that trade liberalization had led to Jordan's exports to the United States growing from \$16 million in 1998 to a projected \$700 million in 2003. The high standards of the United States-Jordan FTA built upon the two countries' commitments under the WTO and were indicative of their commitment to economic liberalization and openness.

5. The representative of the United States noted that key provisions the Agreement included coverage of substantially all trade in industrial and agricultural products, and substantially all trade in services; it incorporated TRIPS-consistent standards for copyright protection; and it contained trade-related environmental and labor provisions. The FTA also achieved significant and extensive liberalization across a wide spectrum of trade issues. Tariffs on virtually all bilateral trade in agricultural and industrial goods would be eliminated within 10 years, starting from 2001. Measured in terms of either total bilateral trade in 2000 and 2001 or in terms of total tariff lines subject to elimination, the Agreement would eliminate all tariff and non-tariff barriers on over 99 per cent of total trade in industrial and agricultural products. Tariff reductions would take place in four stages: tariffs of less than 5 per cent *ad valorem* at the time of implementation were phased out in a two-year period, over the years 2001 to 2003; those that were between 5 and 10 per cent would be eliminated in four years from implementation; tariffs between 10 and 20 per cent would be eliminated over five years; and those that were more than 20 per cent would be phased out over 10 years. On rules of origin, the Agreement provided for a general test of substantial transformation, along with a 35 per cent rule for the value of regional content; with respect to textiles, the rules of origin were the same as those used by the United States for everyday trade in textiles.

6. The representative of the United States continued saying that the FTA had substantial services sectoral coverage and provided for the absence or elimination of substantially all discrimination. A positive list approach was used, that is sectors not included in each Member's Schedule of Specific Commitments were not covered by the Agreement. The Schedules of Commitments encompassed the same four modes of delivery for services which were included in the WTO General Agreement on Trade in Services (GATS): cross-border supply, consumption abroad, commercial presence, and presence of natural persons. Under the Agreement, Jordan had committed to open its services market across a range of sectors beyond those that it had included in its commitments under the GATS, as described in the Standard Format. The Agreement directly incorporated two key provisions of the GATS – requirements to accord "market access" (GATS Article XVI) and "national treatment" (GATS Article XVII) – and made them applicable to bilateral services trade. Other provisions of the GATS, such as its telecommunications and financial services annexes and Articles related to domestic regulations, monopolies and exclusive suppliers, and general exceptions, were included within the FTA to the extent necessary to apply and interpret each party's national treatment and market access commitments in the same manner as under the GATS. The FTA intellectual property rights provisions incorporated the most up-to-date international standards for copyright protection, building on Jordan's strong commitments. The FTA also provided for each Party to implement fully the World Intellectual Property Organization (WIPO) Copyright Treaty and the WIPO Performances and Phonograms Treaty. The FTA also included, for the first time ever in a trade agreement, substantive provisions addressing electronic commerce. Jordan and the United States each committed to promote a liberalized trade environment for electronic commerce that should encourage investment in new technologies and stimulate the innovative uses of networks to deliver products and services. Both countries would seek to avoid imposing customs duties on electronic transmissions; imposing unnecessary barriers to market access for digitized products; and impeding the ability to deliver services through electronic means. Jordan had made market access and national treatment commitments in all the sectors critical to completing an electronic commerce transaction, including telecommunications, computer-related services, financial services, distribution services and express

delivery services. The Agreement also contained trade-related labor and environmental provisions. Those provisions would not require either country to adopt any new labor or environmental laws, and each country retained the absolute right to set its own labor and environmental standards and to change those standards. She thanked the Chairman for the opportunity to present the information on the United States-Jordan FTA to the CRTA hoping that it would give Members a greater understanding of the terms of the Agreement. She added that her delegation would be pleased to answer any questions the Members might have.

7. The representative of Jordan stated that her government welcomed the opportunity to submit the Agreement establishing an FTA between Jordan and the United States for examination. She hoped that the background information provided in the Standard Format and the joint introductory statement presented by the representative of the United States would allow the Committee to make progress on the factual part of the examination. In that respect, she stressed the importance that Jordan attached to the multilateral trading system and WTO principles, and to the importance of regional trade agreements in integrating developing countries into the world economy. The FTA between Jordan and the United States was a comprehensive agreement in scope, which substantially liberalized trade in industrial and agricultural goods and services, and which was in compliance with Article XXIV of the GATT and Article V of the GATS, respectively. The Agreement established a more secure and predictable framework for the conduct of business. It was designed to further strengthen trade and economic ties between the two countries with a view to raising living standards and promoting economic growth, investment opportunities and employment; fostering creativity and innovation and promoting trade in goods and services that were the subject of intellectual property rights; and eventually raising the capacity and international competitiveness of both countries' goods and services. The Agreement also recognized that Jordan was still in a state of development and faced special challenges. The gradual approach of liberalization within the 10 year transitional period allowed a progressively closer economic relationship while giving the needed time to improve the competitiveness of Jordan's different economic sectors and industries.

8. The representative of Jordan added that the two years of implementation of the Agreement had shown a positive increase in trade relations between Jordan and the United States as one of its major trading partners. The Agreement complemented Jordan's foreign trade policy, which was based on the norms of economic openness and integration into the rapidly globalizing world economy. Such policy incorporated the country's vision and positive view of economic partnerships as necessarily achieving both mutual interests and fair dividends. Jordan had made giant strides on the path of economic and trade liberalization in addition to reinforcing the mechanisms and functioning of a market-orientated economy; this was made possible through intensive reform process bringing about a modern and conducive regulatory environment for business and investment. She added that her delegation was prepared to clarify any questions or comments that Members might have and that they would provide further replies in writing if needed. She concluded by informing Members of the Jordanian website address (www.jftp.gov.jo) where the Agreement's tariff elimination schedules and services schedules were available, which had been dropped by mistake from the Standard Format document.

Goods aspects

B. SECTION I - BACKGROUND INFORMATION ON THE AGREEMENT

9. The representative of Japan commended the Parties for their very comprehensive and detailed introductory statements. He noted that the Agreement had been notified after the date of its entry into force and, for the sake of consistency, wished to know the reasons for that delay. He added that his delegation placed much importance on the question of transparency. It was essential that WTO Members have the opportunity to learn of the developments that were taking place prior to any agreement taking effect. The representative of the United States acknowledged the point made and

said that it was surely due to human error. Having said that, she wished to draw Members' attention to the fact that the approval of the Agreement by the United States' Congress occurred a substantial amount of time after the Agreement had been signed and at a time of the year which may have contributed to the delay in notification. She added that they could provide a more precise answer in writing if necessary.

C. SECTION II - TRADE PROVISIONS

10. The representative of the European Communities asked the Parties whether the Agreement provided for any tariff-rate quotas (TRQs) and, if that was the case, on which products and with which sectoral coverage. The representative of the United States said that they could provide a complete answer in writing; she indicated, however, that the United States had preferential transitional TRQs on some agricultural products (dairy, peanuts, cotton and sugar). These TRQs were specific to Jordan and additional to the market access provided to WTO Members in the Uruguay Round TRQs. All of the commodities under TRQ were included for elimination in the ten-year phase-out period and the elimination applied to the over-duty quota rate on those commodities. The representative of Jordan clarified that her country did not apply any TRQs.

11. The representative of Japan, referring to the last sentence of Section II:3 of the Standard Format dealing with Rules of Origin, wished to know what rules of origin applied to processed citrus products. The representative of the United States indicated that the Agreement contained a specific rule for citrus which outlined the origin requirements, adding that a description could be submitted in writing.

12. The representative of Japan recalled his delegation's view that safeguard measures should not be applicable among the parties to an RTA, and requested the views of the Parties on that point in the context of the Agreement. The representative of Jordan said that the issue was addressed in Article 10:8 of the Agreement, adding that they would provide a detailed answer in writing.

13. The representative of Chinese Taipei sought clarification with respect to the conditions under which the Parties could be exempted from a global safeguard measure as mentioned in paragraph 1 of Section II:5 of the Standard Format. He was also interested in knowing how the Parties would ensure that the implementation of such a rule would be in line with the Panel and Appellate Body findings on that issue. The representative of the United States said that they could provide that answer along with the one to Japan in writing, and that they would certainly address the Appellate Body findings in their answer.

14. The representative of Japan noted that the Agreement contained no provisions on anti-dumping and countervailing measures. To his question of whether that meant that the Parties were bound by the rights and obligations of the WTO in this matter, the representative of Jordan replied in the affirmative.

D. GENERAL PROVISIONS OF THE AGREEMENT

15. The representative of the European Communities had two questions in relation to Section III:4 of the Standard Format. First, noting that the Agreement contained very specific provisions on the protection of geographical indications (GIs), he wished to have more precise information on the definition of GIs, especially as it appeared from footnote 8 of the Agreement that GIs could apply to both goods and services. He asked the Parties whether they could provide some examples of products that would benefit from GI protection. His second question concerned the relationship between the Doha Declaration on the TRIPS Agreement and Public Health and the Agreement being examined. Recalling, in particular, that Ministers had recognized in the Declaration that "each member has the right to grant compulsory licences and the freedom to determine the grounds upon which such

licences are granted", he wondered whether paragraph 20 of Article 4 of the Agreement, which appeared to strictly limit the grounds for providing compulsory licences to three areas, entailed that the Agreement prevailed over the aforementioned Declaration or that the Declaration, since it post dated the Agreement, would overrule Article 4:20. The representative of the United States said that both questions involved a fair amount of legal interpretation and that they would reply in writing. She clarified, however, that in the Agreement GIs arose in the context of trade marks.

16. The Chairman said that the first round of examination of the goods aspects of the FTA between the United States and Jordan had allowed the Committee to clarify a number of issues, but some remained pending. He invited those delegations wishing to ask questions to forward them in writing to the Secretariat by 18 April 2004 and Parties to submit replies in writing by 28 May 2004.

Services aspects

E. SECTION I – BACKGROUND INFORMATION ON THE AGREEMENT

17. With respect to scope, the representative of Chile asked the Parties for information on the sectors which had been excluded from the Agreement. The representative of Japan informed the Committee that his delegation had several questions with respect to scope which would be submitted in writing since they were rather long.

18. The representative of the United States said that they looked forward to receiving the questions from Japan. With respect to the question from Chile, he said that as indicated in their opening statement, this was a positive list Agreement, meaning that the sectors that were covered by each Party to the Agreement were indicated in listing in their particular schedule. In that sense, the sectors that were covered and those that were excluded operated in the same fashion as under the GATS in the WTO. The representative of Chile said that she understood how a positive list operated, but recalled that the Committee was mandated to examine whether the Agreement was consistent with the requirements of GATS Article V:1 on substantial sectoral coverage. In order to do that, information on the sectors that were excluded from the Agreement was necessary. She informed the Parties that the question would be submitted in writing.

19. Turning to trade data, the representative of Chile asked the Parties whether any information in that respect was available. She indicated that since mode 3 was included it was perhaps possible to have at least some information on investments. The representative of the United States remarked that difficulties in providing trade statistics in the services area had been observed before. She added, however, that both the United States and Jordanian delegations would refer back to their respective Authorities to see whether any information in that area could be provided to the Committee.

F. SECTION II – PROVISIONS AFFECTING TRADE IN SERVICES

20. The representative of Australia noted that many of the dates indicated in the Standard Format with respect to the scheduled elimination of discriminatory restrictions had passed and wondered whether it was possible to obtain an update on what had happened to date.

21. The representative of the European Communities noted that the Agreement had been notified as an economic integration agreement having substantial sectoral coverage and providing for the elimination of substantially all discrimination. However, his delegation had not been able to detect any difference between the Parties' schedules of commitments under the Agreement and those notified under the GATS. In that respect he had three questions: first, whether the United States and Jordan were granting each other's services and service suppliers the exact same treatment as they granted to all WTO Members; second, whether the Agreement provided for any additional preferential liberalization of trade in services between the Parties which went beyond their respective

commitments under the GATS; and third, with respect to the application of Article 8 of the Agreement on Visa Commitments, whether the Parties were adding to their respective scheduled commitments under Mode 4. In relation to the latter question, he added that, if that was the case, then he would be interested to know which categories of persons were covered and whether there were any quotas for such persons.

22. The representative of Chile wanted to know whether the quantitative restrictions which had been eliminated applied only between the Parties or they extended to all other WTO Members.

23. The representative of the United States said that with respect to the question posed by the delegate of Australia he would have to check with his Authorities to ensure that the reply was accurate. Turning to the questions posed by the delegate of the European Communities, he indicated that his colleague from Jordan would reply. He added that the question relating to the Visa Commitments would be replied to in writing since it was very detailed. The representative of Jordan said, with respect to the question posed by the Australian delegate, that commitments scheduled for elimination for 2002 and 2003 had taken effect. As for the question from the European Communities, she indicated that Jordan's commitments under the Agreement built upon their GATS commitments and thus went beyond the GATS schedule.

24. The representative of Switzerland sought clarification as to the meaning of Section II:2 and 4 of the Standard Format dealing respectively with rules of origin and safeguards, which read that the language in the Treaty on those provisions related to goods and not services. The representative of the United States confirmed that the provisions on rules of origin and safeguards contained in the text of the Agreement were directed only to the goods aspects of FTA. He explained that since the Agreement covered in a single text both goods and services aspects, they had drafted the Standard Format on the services aspects in that way to make clear that those provisions existed but that they did not apply to services.

25. The Chairman said that the first round of examination of the services aspects of the FTA between the United States and Jordan had allowed the Committee to clarify a number of issues, but some remained pending. He invited those delegations wishing to ask questions to forward them in writing to the Secretariat by 18 April 2004 and Parties to submit replies in writing by 28 May 2004.

26. The Committee took note of the comments made.
