

The Impact Of European Economic Integration On Trade In Jordan

اثر الاندماج الاقتصادي الاوربي على التجارة في الاردن

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Abstract:

Relations between the EU and Jordan are based on an Association Agreement, which came into force . A joint EU-Jordan Action Plan sets out a political framework for dialogue and outlines a set of priorities that supports Jordan's National Agenda and focuses on political dialogue and reform, trade and social issues. To achieve the goal of the study, the research was divided into two parts: the first is the theoretical framework for the concept of economic integration, and the second part is European-Jordanian economic relations.

Keywords: Economic integration, foreign trade, Europe, Jordan

JELClassificationCodes: F1,F15,F18

ملخص:

تستند العلاقات بين الاتحاد الأوروبي والأردن إلى اتفاقية شراكة دخلت حيز التنفيذ. تحدد خطة العمل المشتركة بين الاتحاد الأوروبي والأردن إطاراً سياسياً للحوار وتحدد مجموعة من الأولويات التي تدعم الأجندة الوطنية الأردنية وتركز على الحوار السياسي والإصلاح والتجارة والقضايا الاجتماعية. ولتحقيق هدف الدراسة تم تقسيم البحث إلى قسمين: الأول هو الإطار النظري لمفهوم التكامل الاقتصادي ، والجزء الثاني هو العلاقات الاقتصادية الأوروبية الأردنية.

كلمات مفتاحية: الاندماج الاقتصادي ، التجارة الخارجية ، أوروبا ، الأردن.

تصنيفات JEL : F1,F15,F18

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1. INTRODUCTION

Political and economic relations between the EU and Jordan have become increasingly strategic in the past two decades. Although, Jordan has been more closely associated with the US for financial and military support, it has been substantially improving its trade and investment relations with the EU. Jordan needs further financial aid from the EU and its member nations to tackle the influx of Syrian refugees, while for the EU nations, Jordan offers trade and investment opportunities. Given these mutual benefits, both sides will strengthen relations in the coming years. Jordan signed an Association Agreement with the EU that came into force in 2002 and later completed negotiations for an "advanced status" with the EU in 2010. This paved the way for Jordan and the EU to establish free trade on all industrial products, although import duties on agriculture and fisheries products remain in place. As an extension to the Association Agreement, the EU and Jordan are considering the development of a Deep and Comprehensive Free Trade Agreement (DCFTA). A DCFTA aims to extend the free trade in industrial goods to other products and services, and also focuses on investment protection for both EU and Jordanian investors. However, non-trade barriers and regulatory differences between the EU and Jordan are key challenges that hinder progress on a DCFTA.

research aims

- The concept of economic integration
- An analysis of the European-Jordanian economic relations and how to strengthen them
- Jordanian foreign trade barriers to the European Union

1- Theoretical framework for the concept of international economic integration

1.1 What is economic integration?

Economic integration, process in which two or more states in a broadly defined geographic area reduce a range of trade barriers to advance or protect a set of economic goals. The level of integration involved in an economic regionalist project can vary enormously from loose association to a sophisticated, deeply integrated, trans nationalized economic space. It is in its political dimension that economic integration differs from the broader idea of regionalism in general. Although economic decisions go directly to the intrinsically political question of resource allocation, an economic region can be deployed as a technocratic tool by the participating government to advance a clearly defined and limited economic agenda without requiring more than minimal political alignment or erosion of formal state sovereignty. The unifying factor in the different forms of economic regionalism is thus the desire by the participating states to use a wider, trans nationalized sense of space to advance national economic interests.(Sean Burges,2007)

1.2 Forms of economic integration

Although there are many different forms of economic integration, perhaps the most convenient way to order the concept is to think of a continuum that ranges from loose association at one end to an almost complete merging of national economies at the other end. Although it is far from a given that positive experiences in the simpler forms of economic integration will lead to a deepening of the process to increasingly integrated shared economic spaces, the more-complex forms incorporate and are founded on the substantive elements of the earlier forms. The significant point is that although economic integration is explicitly framed by trading relationships, it acquires an increasingly political character as it reaches deeper forms. (Sean Burges,2007)

1.3 Simple free-trade area

The most basic type of economic integration is a simple free-trade area. In this form, attention is focused almost exclusively on a reduction of the tariffs and quotas that restrict trade. Emphasis is placed almost entirely on increasing the exchange of goods. The articulation of transnationalized

production chains, trade in services, labour mobility, and more-sophisticated forms of economic integration are not an explicit goal and emerge as merely tangential to the primary goal of securing access to foreign markets for domestic firms.

1.4 Second-generation free-trade area

In a second-generation free-trade area, the basic nature of simple free trade is expanded to include trade in non-goods such as services. Where a simple free-trade area need only address the question of tariffs and quotas, the trade in services and a widening of trade in goods raises questions of regulatory convergence and the harmonization of rules of operation and governance. At this stage, attention needs to be turned to such things as the transferability of professional certifications as well as questions of labour mobility, particularly for the highly skilled professions such as legal, accounting, technology, and medical services. The increased interdependence between the participating economies that comes with expanded trade in all economic areas and a measure of regulatory convergence can lead to an increased distribution of production chains across national boundaries .(Sean Burges,2007)

1.5 Customs union

As national production structures transnationalize across the regional space, the next stage is to deepen regulatory harmonization to present a common stance to the extra-regional market. The result is the formation of a customs union relying upon a common external tariff. One of the key attractions of this regulatory convergence between participating economies is that it reduces the challenges of monitoring and taxing external inputs that are used to produce goods and services that circulate within the region. Implicit in the adoption of a common external tariff is a further harmonization of national rules and regulations, particularly those relating to the control and flow of external trade into the regional economic space .(Sean Burges,2007)

1.6 Common market

The idea of a common market grows from the possibilities presented by the adoption of a common external tariff. As trade flows increase and factor inputs imported into the integrating economies begin to circulate freely, production chains crossing the intra-regional national boundaries begin to form. This results in sustained pressure to reduce the costs of transporting finished and semi-finished goods between the states participating in the integration project. The solution is the harmonization of border procedures, which in its ultimate form leads to the virtual elimination of national boundaries as internal barriers to trade and the formation of a free-flowing regional economic space. A concomitant change with this complete opening of internal trade is a liberalization of labour mobility, allowing the inhabitants of one member state to work in all the other member states of the region

1.7 Monetary union

With the evolution of a common market and the concomitant surge in intra-regional trade comes a new source of expenses for business: the costs of transnational transactions. Even though borders may be open to the free transit of goods and services, the need to constantly engage in foreign exchange operations to settle payments as well as the differing relative costs caused by different national economic policies impose a constant financial and administrative expense on firms operating within the region. The solution and next stage in the integration progression is some form of monetary union, be it through an agreed fixing of relative exchange rates or the more commonly discussed adoption of a common currency. At this point, the economic aspects of integration also begin to take on a strong political flavour. Adoption of a common currency or monetary policy by all members of the project also requires a strong convergence in macroeconomic policy, which imposes external restraints on the domestic fiscal and expenditure policies that a government may pursue. The result is a gradual blurring of the political as well as economic lines that separate the states participating in the integration project .(Sean Burges,2007)

1.8 Economic community or union

In an economic community or union, the logic of common external tariffs, regulatory approximation, and harmonization of macroeconomic policy is taken to its full conclusion through the construction of an overarching governance framework that imposes a common economic policy system on all countries in the region. In effect, the member states surrender a significant degree of economic sovereignty to the whole in the expectation of significantly expanded opportunities presented by a much larger, fully integrated economic space facilitating the full mobility of finished products, factors of production, and labour. The harmonization of regulations and procedures is facilitated through the creation of an overarching legislative and legal system that trumps national laws and rules and also ensures that economic actors will face the same treatment throughout the region .(Sean Burges,2007)

1.9 Justifications of economic integration

The extent to which a region will deepen its economic integration and adopt the characteristics of a supranational state is partially influenced by the factors prompting states to start the regionalization process. Four broad reasons for pursuing economic integration can be identified.

1.10 Reactive regionalism

Reactive regionalism is also referred to as defensive regionalism, suggesting that states choose to pursue economic integration to protect their shared interests from a specific or nebulous external threat. In a historical context, reactive regionalism was viewed by developing countries as a technique for providing the large internal markets needed to support nascent industrial sectors. Although the decline of import-substitution industrialization strategies and the rise of neoliberalism have greatly reduced the protectionist aspect of reactive regionalism, the idea of providing a common level of shelter for internal producers does remain in integration projects such as the South American trade bloc Mercosur. The more common motive for contemporary economic integration projects lies in the logic of defensive regionalism. Here the participating states are reacting to perceived threats in the international economic environment. In

some instances, such as Canadian participation in the North American Free Trade Agreement (NAFTA), the regional economic integration route was pursued to prevent a country from becoming isolated in a global economic system that appeared to be increasingly drifting toward a series of large economic blocs. Other regional groupings, such as the Andean Community and Mercosur, emerged partly as an attempt to use the expanded internal market as a lure to attract foreign direct investment (FDI) in an increasingly competitive international investment climate. Either way, the common element is that the participating states are seeking to use their combined economic mass and density to protect shared interests and to mitigate external vulnerabilities .(Sean Burges,2007)

1.11 Peace and security

The most prevalent example of an economic integration emerging as part of an effort to ensure peace and security is the European Union (EU). As the neofunctionalist school suggests, the idea is to increase economic interpenetration between erstwhile hostile countries, seeking to raise the level of interdependence to the point where armed conflict and sustained mutual isolation become economically unsupportable. This underlying rationale can either emerge as a consensus position between participating states, as was partly the case in Argentine-Brazilian approximation in the 1980s and the formation of the South Asian Association for Regional Cooperation (SAARC), or be suggested as a solution to simmering hostilities by mediating actors as an effective method for diffusing potential conflicts, as has sometimes been the case with the South American infrastructure integration program launched in 2000.

1.12 Efficiency

The defensive character of many integration projects is in some cases eclipsed by a desire to reduce transaction costs within a regional space that is seeing growth in transnational production structures. Here the example of the Association of Southeast Asian Nations (ASEAN) is instructive, with a sustained rise in the regional distribution of production structures creating pressure for increased logistical and regulatory cooperation to facilitate the

exchange of production factors. Significantly, an efficiency-seeking rationale to economic integration will not necessarily bring about pressure for labour mobility and often completely rejects the sorts of political approximations implicit in the deeper forms of economic integration. The profit-making potential of economic cooperation within the region remains the dominant factor, with only tangential attention being given to notions of social or political integration.

1.13 Externalization

Although rarely explicitly framed as the need to externalize the rationale for politically contentious policies, economic integration has emerged as a device used on the domestic political stage. In South America the pursuit of an economic integration project was one justification used by pro-democracy factions in Argentina and Brazil in the late 1980s to neutralize lingering calls for a return to authoritarianism. Democratic governments in developing countries have also used the need to adhere to regional commitments as the justification for the pursuit and implementation of the Washington Consensus model of neoliberalism. Particularly important in this respect has been the reduction of state supports for local industries, the lowering of high tariff walls, and the privatization of state-owned firms. The pattern is thus one of domestic governments placing the blame for some of the politically difficult neoliberal economic programs pursued in the 1990s on the need to meet the country's regional commitments, with the integration project being presented as the source of long-term and sustainable economic advantages as well as a collectively improved insertion into the international economy.

1.14 The political factor

Although economic integration leads to regionalism as a method of organizing interstate relations that focuses on economic questions, it is in the end a politically motivated concept. States do not fall into economic regionalism by accident. Rather, they engage in long, sustained, and highly technical discussions to carefully delimit the policy and geographical boundaries of the region. Management of the region, irrespective of the

extent to which it has resulted in economic integration, also emerges as a potential source of sustained political tension between member states. Different levels of relative economic strength, sophistication, and global competitiveness provide a basis for divergent views over how the integration project should operate and how it should evolve over time. Particularly contentious can be the role of the anchor state, the state with the large market that is often present in an economic integration project and effectively provides the membership rents to the other members by absorbing an increased proportion of their exports. The point is that, even though an economic region is founded on and discussed in terms of the technocratic language of economics, the power relations and equations typically found in international relations remain, although manifest in different and sometimes indirect form. The formation and pursuit of economic integration can also present new international challenges for participating states. Developing states engaged in a defensive regionalist project to improve their collective negotiating power with predominant states in the global political economy can be faced with a divide-and-conquer strategy in interregional and multinational negotiations. This places additional strains on the anchor state to maintain the solidity of the region. In some instances this is not a particularly significant challenge, because the benefits of collective negotiation in international forums quickly outweigh the economic benefits offered by the group. In some respects, this reflects the EU's quiet strategy of encouraging economic integration and regionalism as a strategy for internally driven development and enhanced political stability in developing areas.

2. The impact of European economic integration in Jordan

2.1 What is the EU

The EU plainly has its roots in economic integration, but has consistently had wider ambitions. The Treaty on European Union (TEU), in its preamble, recalls 'the historic importance of the ending of The European Union and regional economic integration 3 the division of the European continent', a motivation transcending purely economic agreements. It sets a

clear economic objective for members: 'the strengthening and the convergence of their economies and to establish an economic and monetary union including, in accordance with the provisions of this Treaty and of the Treaty on the Functioning of the European Union (TFEU), a single and stable currency'. However, the preamble also expresses the Union's determination to promote economic and social progress for their peoples, taking into account the principle of sustainable development'. Further ambitions include a common foreign and security policy, defence cooperation, free movement of persons and the establishment of 'an area of freedom, security and justice'. In addition, the preamble articulates the aim 'to continue the process of creating an ever closer union among the peoples of Europe, in which decisions are taken as closely as possible to the citizen in accordance with the principle of subsidiarity'. The first phrase of this statement was seen as provocative in the UK and much cited in the debates around Brexit (the second, however, only rarely), but elicits little attention elsewhere. What is stated in the preamble to the TEU can reasonably be interpreted as the public goods the EU seeks to deliver and shows how distinct it is from other regional integration projects in the scope of what it does. In economic terms, the EU today is an economic and monetary union (EMU), albeit an incomplete one in a number of respects. Its area of free movement (Schengen) covers most Member States, and there are substantial common programmes, inter alia, for joint research, agriculture and promoting economic, social and territorial cohesion through EU public spending. The EU is a community of law, with a mandate derived from the Treaties, but with the restriction that a law cannot be enacted if it concerns a policy area not cited in any of the relevant treaties. Values play a central role in defining what the EU is, with the three Copenhagen criteria² offering a succinct definition. Membership requires a country to have stable and democratic political institutions, to have a functioning market economy, and to accept the *acquis communautaire* of laws agreed since the 1950s. In addition, the EU has institutions of governance which go well beyond those of other regional trading arrangements. Some of these emulate equivalent institutions in nation states, whether federal or unitary. Thus, there is a capacity for law-making consisting of the Council, representing the

Member States, and the directly elected European Parliament, as the voice of citizens. Such a bicameral system is found in many polities. There is an executive, the European Commission, with one member (Commissioner) from each Member State, all appointed, rather than elected, but formally expected to act in the interest of the Union as a whole, rather than being a representative of their country. However, a distinctive feature of the EU is that the executive, the Commission, has a powerful role not only in implementing EU policies, but also in acting as the guardian of the Treaties and having the sole right of initiative in proposing legislation. Other agencies have more specialist roles, notably the European Central Bank (ECB), which is responsible for the monetary policy of the members of the eurozone and for certain other tasks, including bank supervision and resolution. It has its own foreign policy apparatus in the European External Action Service, and has set out principles for a global strategy (EEAS, 2016)

The single market The economic core of the EU is the single market, characterised by the four freedoms of movement: of goods, services, labour and capital. Having evolved from a customs union, the single market – a wide-ranging 'project' initiated in the 1980s (European Commission 1985; Cockfield, 1994; Egan, 2001) – complemented the elimination of tariffs and quotas by curbing a plethora of non-tariff barriers. But it also transferred powers from the national to the supranational level; as Michelle Egan (2001: 5) puts it: 'to create a single market, the European Union has sought to limit the ability of its Member States to exercise regulatory sovereignty'. To realise these aims, a White Paper – a measure EPRS | European Parliamentary Research Service 4 common in UK governance, but novel in the European context – was published, listing three hundred measures (later reduced by eighteen) to be undertaken to break down barriers to free movement. Expanding the range of policy areas to be decided by majority voting rather than unanimity in the Council (the Single European Act of 1986) was crucial to the realisation of the single market programme. As documented by Egan (2015: 21), the single market in the United States was constructed largely in the 19th Century, but she identifies many parallels with the initiatives launched in the EU. Differences abound, but despite

these, she finds 'important shared features that shape their respective political developments and drive towards market integration'. The measures to diminish or eliminate non-tariff barriers in Europe were grouped under three headings. The first was 'physical', consisting mainly of administrative controls at borders, including customs formalities and checks on animal and plant health. The largest set was technical barriers, ranging from harmonising differing standards and regulatory obligations imposed by Member States on economic actors to rules on public procurement. Then there were fiscal barriers arising from disparities in the rates and coverage of indirect taxes such as value-added tax. An important novelty was to set a date, the end of 1992, for completing the process. In the EU, the role of the European Court of Justice in facilitating the evolution of the single market was pivotal (Armstrong and Bulmer, 1998). Some important decisions preceded the launch of the White Paper, one in particular having a vital influence: the Cassis de Dijon ruling of 1979. It established that if a product was lawful in one Member State, it could not be prohibited because of a differing national law in another. This principle of mutual recognition was fundamental not just for specific products, but was also replicated in the notion of the 'passport' used to authorise crossborder activity in financial services. The single market cannot be described as fully complete, because shortcomings in implementation frequently occur and there are always new areas for which liberalisation may be required. The energy market and many facets of the digital economy are examples (Pelkmans, 2016), and the freedom of movement of services has consistently faced resistance. Indeed, there are 'services of general interest' - mainly in the public sector - largely excluded from the freedoms of the single market, though still covered by EU rules. Competition policy is an important feature of the EU single market. It is a competence shared between the EU level and the Member States in a federal-ish structure since the reforms introduced by Mario Monti in 2003. The three areas covered by competition policy are curbs on abuses of market power, restrictions on public subsidies for companies ('state aids') and controls on mergers, all aimed at ensuring a 'level playing-field'. Enforcement is shared between the EU and national authorities, but with the former able to over-ride the latter in disputed cases. Along with its

exclusive competence for trade policy, competition policy is considered to be a defining feature of the EU. The power of the EU stemming from the single market is principally as a regulator and it can be argued that the bulk of the public goods generated by the EU are regulatory. This led Majone (1994) to coin the expression 'regulatory state' to describe the distinctive nature of EU economic governance. The principal contrast here is that, while the EU level of government does have a budget for purposes more extensive than administration, it is more a special purpose fund than the much more extensive functions commonly assigned to federal governments, notably for macroeconomic stabilisation and redistribution (Begg, 2009). Until recently, the EU budget has been capped at around one percentage point of EU GDP, contrasting with typical values of 20 per cent or more in federal budgets of advanced economies.

Economic and Monetary Union The creation of the euro was, by any reasonable standard, a bold extension of the European integration project. Plans for monetary integration in Europe were under consideration from the 1960s, but only came to fruition right at the end of the 20th Century (De Grauwe, 2020). The European Union and regional economic integration 5 Disagreements about how to construct a monetary union were legion and compromises hard to find (Dyson and Featherstone, 1999). More fundamentally, two widely recognised defining attributes of a state have long been security and the currency; forgoing the latter, especially for the likes of Germany, where a strong and stable deutschemark had so much symbolic value, was always going to be politically challenging. Limited monetary cooperation in the early 1970s – sometimes referred to as the 'snake-in-the-tunnel', capturing the objective of limiting exchange rate fluctuations among EU members, while providing flexibility for movements vis-à-vis third countries – rapidly fell apart when oil prices soared in the wake of the Yom Kippur war. The more comprehensive European Monetary System, introduced in 1979, did succeed in stabilising exchange rates, but had a variety of in-built tensions and was always seen as a step towards monetary union, not an end in itself. The Maastricht Treaty then paved the way for the creation of the single currency. Having been established twenty years ago, the euro is now used by 19 of the 27 Member

States of the EU. With the sole exception of Denmark (granted an 'opt-out' in the Maastricht Treaty, as was the UK), the remaining members of the EU are formally committed to join the single currency, subject to fulfilling the entry criteria. Their non-participation is considered a 'derogation' from their obligations and is supposed to be temporary. However, in practice, they are able to stall indefinitely and, while Bulgaria and Croatia are now on a track to membership, there is little that can be done to coerce the others. From the outset, the euro was bedevilled by differences about what its conceptual and, indeed, ideological basis was or should be. These differences arose from distinct approaches to economic management, rooted in decades of post-war experience, not least, as Pisani-Ferry (2014) explains, the incompatible views of France and Germany. Two rather oddly named camps had formed in the debates around the Maastricht Treaty: the 'economists' and the 'monetarists'. They had divergent views on how to engineer the transition to the single currency, with the former arguing for a gradualist approach while the latter wanted a form of big bang. In the end it was something of a compromise between the two. At the heart of the euro is the ECB, a powerful agency with, arguably, more independence than any national central bank. This stems, in part, from its hierarchical mandate, as given by the Treaty: it is charged with assuring price stability and with pursuing other economic goals only if they do not compromise price stability. In practice, the operational interpretation has been to aim for an inflation rate (as measured by consumer prices), of close to, but below, two per cent, while the means of achieving its goals are fully delegated to it. A second influence on the ECB's independence is the assignment in the EMU architecture of fiscal policy to the national level. Because there is no supranational fiscal body comparable with the federal or central government in a nation state, the ECB stands above the national level in determining macroeconomic policy, and has, moreover, to act in the interests of the eurozone as a whole, rather than favouring individual members. The euro has, in Jean Pisani-Ferry's words, been through '10 quiet years followed by 10 tumultuous ones' (Pisani-Ferry, 2018: 1). However, the incomplete nature of monetary union has proved to be problematic because of the need to reconcile the interest of participants and non-

participants in the euro. An early example was when new funds had to be established at short notice over a weekend in May 2010 for a bailout of Greece. The answer was one fund (the European Financial Stabilisation Mechanism) backed by the EU budget and thus, if reluctantly by some, all (then) 27 members, and a second and larger fund (the European Financial Stability Facility - EFSF) implicating only eurozone countries. As explained by Olli Rehn (2020: chapter 4), the negotiations were not only tough, but also frantic, because, to forestall financial chaos, they had to be completed before the Asian markets opened at 02:00 Brussels time. A further illustration of the eurozone–EU tensions was the Fiscal Compact, a proposal to adopt more intrusive fiscal governance. It was blocked in the European Council by the UK (with the Czech Republic also demurring), leading to a very public castigation of UK Prime Minister David Cameron EPRS | European Parliamentary Research Service 6 by Nicolas Sarkozy, the French President. Yet, in the end, a separate Treaty on Stability, Coordination and Governance was quite rapidly concluded by the 25 consenting Member States, outside the main EU Treaties, with the Czechs subsequently acceding to it. This resort to a separate inter-governmental treaty to overcome obstacles to creating new public goods was emulated when the (temporary) EFSF evolved to become the European Stability Mechanism (ESM), a permanent fund – in its own words – 'set up as an international financial institution by the euro area Member States to help euro area countries in severe financial distress'.³ The ESM website also observes that it 'is the only official institution of the euro area'. Even the Eurogroup, comprising the finance ministers of the participating countries, is regarded as informal, despite exercising considerable power. These two episodes illustrate the capacity of the EU, at times, to resolve seemingly intractable problems when there is an imperative to create new public goods, although critics bemoan the need to resort to more ad hoc inter-governmental arrangements, rather than the Community method of advancing integration through the EU Treaties. What Christopher Bickerton, Dermot Hodson and Uwe Puetter (2015) refer to as 'new intergovernmentalism' can, nevertheless, deepen integration. They point to an integration paradox arising from not delegating competences to

supranational bodies, yet seeing the EU acquire more powers. The exercise of some of these powers, such as restricting the autonomy of national fiscal policy (the Fiscal Compact) or the imposition of conditions (ESM support) can lead to tensions around the legitimacy of integration (Schmidt, 2020).

2.2 EU Trade Helpdesk

Given that the European Union (EU) is the world's largest common market, many entrepreneurs from around the world, including Ukraine, seek to export their products to the EU. However, sometimes potential exporters lack information on how to export in accordance with EU rules and requirements. The EU Trade Helpdesk is an online service set up by the European Commission specifically to help entrepreneurs in developing countries have free access to information on export conditions to the EU. The Export Support Service is, in fact, an online resource where users can find online information on terms of trade with the EU, including current tariffs, preferential trade agreements, statistics, other specific product requirements and more. As you know, the EU is a customs union . That is, customs duties on goods moving between EU Member States are not paid, while for third EU partner countries it means that:

all EU Member States apply a common customs tariff to goods imported from outside the EU; goods that have been legally imported into the EU can be distributed throughout the community without any other customs controls. The customs territory of the EU includes the territories of the following countries: Austria, Belgium, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland , Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom of Great Britain and Northern Ireland , The EU's customs area also includes the following territories (including their territorial waters, inland waters and airspace): the Principality of Monaco, the military bases of Akrotiri and Dhekelia, which form the overseas territory of the United Kingdom in Cyprus.

2.3 The EU and Jordan

The EU and Jordan established a Free Trade Area as part of the EU-Jordan Association Agreement, signed in 1997, which entered into force in May 2002. The EU and Jordan also signed an agreement in the form of an Exchange of Letters providing for greater liberalisation of their trade in agricultural and processed agricultural products, which entered into force in 2006. Trade in industrial products is entirely liberalised, while market opening for agricultural products is substantial. The EU and Jordan also agreed upon a protocol establishing a bilateral Dispute Settlement Mechanism, which entered into force in 2011. The Council of the European Union adopted negotiating directives for a Deep and Comprehensive Free Trade Area (DCFTA) with Jordan in 2011. As part of the preparatory process for a DCFTA, an independent contractor carried out a Sustainability Impact Assessment (SIA) in 2014. However, the DCFTA negotiations have not yet started. In July 2016, the EU and Jordan agreed to simplify the rules of origin that Jordanian exporters use in their trade with the EU. This measure allows producers in Jordan to use an alternative set of rules of origin for exports to the EU, provided that a number of conditions are met. It seeks to increase legal employment of Syrian refugees. The initiative was amended in December 2018 to accelerate its uptake and extend its duration. The simplification allows producers in Jordan to use a very advantageous set of rules of origin (equivalent to the ones granted to least-developed countries under the EU's Everything But Arms initiative), on the condition that their workforces include a set proportion of Syrian refugees. The scheme applies to 52 different product categories including textiles and garments, engineering and electrical products, chemical products, plastic products, and furniture and wood products. This initiative is valid until 21 December 2030; it has already opened up new opportunities for trade with the EU, and its use by Jordanian exporters has increased year-on-year. In 2021, under the new EU Trade Policy Review, the EU has announced a new sustainable investment initiative to interested partners in the Southern Neighbourhood and Africa. The EU is already a major trade and investment partner for Jordan, and enhancing private investment can be mutually beneficial as it can contribute to the creation of jobs and growth for Jordan

and open further investment opportunities for the EU. More on the EU investment mapping in Jordan

2.4 The pan-Euro-Mediterranean cumulation and the PEM Convention on rules of origin

The pan-Euro-Mediterranean cumulation system of origin was created in 2005. It brings together the EU, Jordan, and other partners in Europe and the Mediterranean to support regional integration by creating a common system of rules of origin. Rules of origin are technical criteria which determine whether a specific product qualifies for duty-free or other preferential access under a given trade agreement. Cumulation of origin means a product coming from one partner country can be processed or added to a product of a second partner country and still be considered an ‘originating product’ of that second partner country for the purposes of a particular trade agreement. The pan-Euro-Mediterranean system allows for diagonal cumulation (i.e. cumulation between two or more countries) between the EU, EFTA countries, Turkey, the Western Balkans, the Faroe Islands, Ukraine, Moldova, Georgia and any country that signed the Barcelona Declaration of 1995. The system was originally based on a network of Free Trade Agreements with identical origin protocols. These individual origin protocols are being progressively replaced by a reference to the Regional Convention on pan-Euro-Mediterranean preferential rules of origin (PEM Convention), which was established in 2011 to provide a more unified framework for origin protocols. Jordan signed the Regional Convention in 2013 and the internal ratification process was completed on 16 August 2013. More information on Mediterranean preferential Rules of Origin

2.5 Financial support

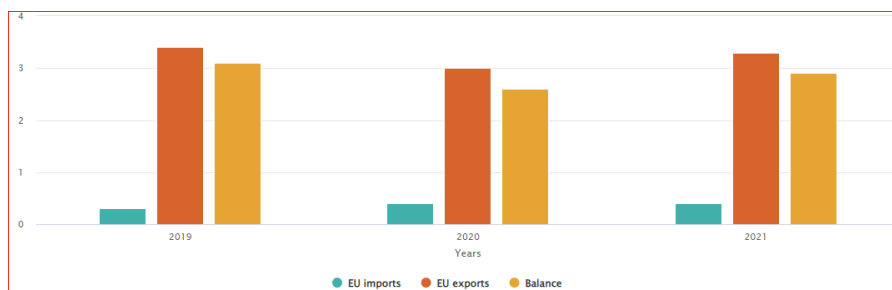
The European Neighbourhood Policy provides political and financial assistance to Jordan. The EU committed €765 million in bilateral assistance to Jordan for the period 2014-2020, under the European Neighbourhood Instrument (ENI). The funding supported cooperation priorities agreed with Jordan, namely: (i) enhancing social and economic development; (ii)

strengthening the rule of law and; (iii) upgrading border management and preventing violent extremism. Under the EU's Multiannual Financial Framework for the period 2021-2027, the EU will adopt a broad new financial cooperation instrument: the Neighbourhood, Development and International Cooperation Instrument (NDICI). The NDICI will be the basis of future EU-Jordan cooperation. More information on EU support is available from the Directorate-General for Neighbourhood and Enlargement Negotiations.

2.6 trade relations with Jordan

Jordan is the EU's 63rd biggest trade partner, representing 0.1% of the EU's total trade in goods with the world in 2020. The EU is Jordan's biggest trade partner, accounting for 14.7% of its trade in 2020. 20.6% of Jordan's imports came from the EU, but only 2.1% of Jordan's exports went to the EU. European Union Exports to Jordan was US\$3.86 Billion during 2021, comparison to €3.4 billion in 2020. The EU's imports from Jordan amounted to €0.4 billion and were dominated by chemicals (€0.12 billion, 30.0%), fuel and mining products (€0.07 billion, 17.5%) as well as machinery and transport equipment (€0.05 billion, 12.5%). The EU's exports from Jordan accounted for €3.0 billion and were led by machinery and transport equipment (€0.90 billion, 27%), agriculture and raw materials (€0.77 billion, 25.7%) and chemicals (€0.60 billion, 20%). Two-way trade in services amounted to €1.73 billion euros in 2019. EU imports of services represented €0.87 billion and exports amounted to €0.86 billion.(tradingeconomics,2021).

Figure 1 EU trade with Jordan (2019-2021).



Recourse: tradingeconomics,2021

3. Challenges Jordanian trade in Europe

the Jordanian benefit from the association agreement with the EU is still limited, despite of its importance, compared with other trade agreements such as the Greater Arab Free Trade Area Agreement and the Free Trade Agreement with the US. regulatory barriers imposed by the EU, and the rules of origin requirements related to the Jordanian-European Association Agreement as the most important obstacle that faces Jordanian exports to European markets. The following are the most important challenges faced by the Jordanian exporter in foreign trade:

- Domestic exports are highly dependent on traditional markets that are influenced by external factors.
- Low exploitation of FTAs
- Staff in trade related government institutions lack the skills to advice on international trade mechanisms.
- Low Research & Development levels, making it difficult for local industries to respond to “dynamic market demands”
- Weak infrastructure in the areas of transport, energy and ICT, especially in governorates outside Amman.
- Lack of coordination between government bodies, particularly on issues related to trade.
- Many businesses (especially SMEs) do not know how to fully benefit from trade agreements
- Labor legislation perceived as “burdensome” by industries.
- Cumbersome, overlapping and long official processes
- Custom procedures remain vague and long delays take place when completing standards & metrology procedures.
- Automation facilities not exploited, making the process costly and time consuming.
- Very weak transport infrastructure.
- Transit to seaport is very expensive.
- No transportation links with partners in FTAs

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- Lack of knowledge amongst exporters on how to take advantage of preferential treatment and potential trade opportunities
- Non-tariff barriers, namely visa requirements
- Poor knowledge of the WTO regulations amongst exporters
- Low standards in the country in terms of labeling and packaging
- Low quality management and difficulty to conform with international standards
- Limited availability of trade information
- Poor marketing activities
- Poor representation of Jordanian industries abroad National Promotion and Branding ♣ Many Jordanian products cannot meet the standards required by trade partners
- Investment promotion strategy is in some cases not in line with export promotion
- Government does not sufficiently match local exporters with potential importers

Conclusions

This research aims at establishing a Euro-Jordanian Free Trade Area, in progressive steps by the year 2030. The free trade agreement shall be based on the provisions of this Agreement as well as the General Agreement to Tariffs and Trade (GATT) and the General Agreement to Services. The provisions of the agreement covers: trade in agricultural and industrial products, right of establishment and services, payments and capital movements, competition, intellectual property rights, financial cooperation, economic cooperation in the fields of industry, agriculture, investment, standards and measurements, transportation, telecommunications, energy, science and technology, environment, tourism, statistics, and the fight against illegal drugs. We reached some conclusions as follows:

1. Jordan Entry into force: 2002
2. Importing into the EU from Jordan Total imports: EUR 18 million , Imports average growth rate over the last five years: 15.4%

3. EU trade defence measures on imports from Jordan
4. Exporting from the EU to Jordan Total exports: EUR 223 million ,
Exports average growth rate over the last five years: -13.9%
5. Trade defence measures in force in Jordan
6. Trade relations are part of the EU's overall political and economic relations with Jordan
7. Jordan is a member of the World Trade Organization

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