

INFORMATION**COOPERATION-DEVELOPMENT**

E E C - JORDAN

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The Cooperation Agreement signed in Brussels on 18.1.77 marks the start of a privileged relationship between Jordan and the European Community. It is the first agreement between the two sides and forms part of the Community's global Mediterranean policy launched at the Paris summit meeting of EEC Heads of State in October 1972.

Along with similar agreements with other Mashreq countries (Egypt, Syria) and the Maghreb (Algeria, Morocco, Tunisia) (April 1976), the Jordanian agreement contributes to the implementation of this global approach in the Southern Mediterranean. Negotiations with Lebanon, the other Mashreq country, will start as soon as the Lebanese government is ready to do so.

The agreement with Jordan is also an important contribution to the dialogue between the European Community and the Arab Countries. The Community now has agreements with 9 out of the Arab League's 21 members. Moreover these links are with the poorer Arab countries which in 1975 recorded a trade deficit with the EEC of nearly \$3 billion.

The 1976 Agreement: The start of meaningful cooperation

Official relations between Jordan and the European Community were only established in 1971. In July 1972 Jordan asked to open negotiations with the European Community for a preferential trade agreement and in November 1973 exploratory talks between the two sides were held.

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Finally it was decided to negotiate along with the other Mashreq countries a more extensive cooperation agreement. The first round of negotiations took place in Brussels on 2 February 1976 but were adjourned because the European Commission's negotiating mandate did not include technical and financial aid.

The Nine's Foreign Affairs Ministers agreed to add this to the mandate at their meeting on 30 June 1976. Negotiations were resumed in Brussels on October 21 and successfully concluded on the 28th.

However the Jordanian delegation, led by their Ambassador to the EEC, Mr. Nijmeddin Dajani, raised a reserve on the duration of the financial protocol. A compromise was eventually reached whereby the aid worth 40 million European units of account (1 eua = \$1.32) would become effective on signature of the agreement and last until 31 October 1981.

The Community had originally proposed that the aid be spread over 5 years with effect from ratification of the agreement. As ratification by the parliament of the EEC Member States could take over a year, Jordan will thus start receiving aid much earlier than originally scheduled.

While awaiting ratification by the Nine an interim arrangement will enable the trade provisions of the agreement to come into force early in 1977.

A dynamic agreement for an unlimited period

The Cooperation Agreement between Jordan and the EEC is for an unlimited period. It is of broad scope covering all areas except labour. Although the amount of aid is relatively modest compared with Jordans development needs the agreement provides a valuable framework for increasing cooperation.

As Mr. Dajani pointed out at the initialling ceremony in Brussels on October 28, "The agreement marks the first step on the ladder and I hope the area of cooperation will be steadily and speedily expanded to help the economic development of my country." For his part, Mr. Maurice Foley, the head of the EEC delegation said "The agreement signifies the start of a meaningful and comprehensive cooperation between Jordan and the EEC covering economic, technical, financial and institutional sectors."

Under the agreement Jordanian industrial exports enjoy duty free access to the Community market, with the exception of some cotton fabrics, from 1 July 1977.

In the agricultural sector, Jordanian exports benefit from tariff reductions of 40 - 80% when the agreement comes into force.

The section on economic technical and financial aid is perhaps the most significant and dynamic element in the agreement. There is scope to substantially increase the present aid package of 40 million ua when it runs out on 31 October 1981.

As regards institutional arrangements, a Cooperation Council has been set up. It will meet at least once a year to supervise the management of the agreement. It will also encourage contacts between European and Egyptian members of Parliament.

Contribution to Jordanian economic and social development

The purpose of Community technical and financial aid - to which the Jordanian's attach great importance - is to complement Jordan's own economic and social development efforts. Special emphasis is put on regional cooperation e.g. roads or dams serving several Mashreq countries, as well as integrated projects involving different forms of cooperation e.g. trade promotion, training, market research.

Cooperation can take the following forms:---

- development of Jordan's economic infrastructure, diversification of industry and modernisation of the agricultural sector.
- trade and sales promotion of Jordanian exports e.g. trade fairs and exhibitions.
- Industrial Cooperation: encouraging contacts between businessmen, facilitating the purchase of patents on favourable terms and helping to remove non-tariff trade barriers.
- encouragement of private investment.
- participation of Community enterprises in the exploration, extraction and local processing of Jordan's natural resources: proper execution of contracts in these fields.
- development of Jordan's fishing industry.
- reciprocal exchange of economic and financial information.

Financial Cooperation: Catalyst for much greater aid

The EEC will provide aid worth 40 million eua. but unlike the rest of the agreement it is applicable for a limited period of 4 years 10 months with effect from the date of signature. This means that a new financial protocol must be negotiated before 31 October.

Community aid consists of two main parts:

1. 18 million eua. of loans from the European Investment Bank (EIB) with interest rebates of up to 2%.

11. 22 million eua. is budgetary contributions broken down into :
18 million eua of grants which will partly be used to finance the interest rebates on the EIB loans.

4 million eua. of special loans at 1% interest over 40 years with a 10 year grace period.

The aid can be given not only to the government but also to public and private organisations. It will be used to finance both the preparation and execution of product infrastructure and training projects.

Although relatively modest in volume, Community aid will nonetheless be important in encouraging:

- Multiplier effect: investment in agricultural and industrial infrastructure will bring disproportionate increases in production.
- Catalyst effect: The Community's financial participation in development projects will stimulate the influx of aid from other sources by helping to guarantee both the feasibility and profitability of the projects. It will also help provide a climate of confidence for private European Investment
- Triangular Cooperation between oil exporting countries, the Community and Jordan in high technology industry.

Increase Jordanian exports to the EEC

One of the main aims of the agreement is to establish a better trade balance between Jordan and the EEC by speeding up the Jordanian economic growth rate and improving the access of the exports to the Community.

Although its volume of trade with the Community is very small Jordan still recorded a trade deficit of 200 million ua in 1975, nearly triple the 1972 figure.

The most striking feature of Jordan's trade with the Community is its low level of exports which in 1975 were only worth 7.7. million u.a. However this represented a tripling of the 1974 figure mainly due to a big increase in phosphate exports which earned nearly 70% of total export receipts.

Jordan's exported only 187,000 ua of agricultural products in 1975 (mainly vegetables, citrus fruits, melons and dairy produce) which represented less than 3% of its total exports. The tariff concessions granted the agreement cover about 85% of its agricultural exports including the main products.

Although in 1975 only 0.2% of Community exports went to Jordan (mainly machine, electric appliances and food products) this still represented a total value of about 200 million ua and was enough to cause a big trade imbalance.

Community exports to Jordan benefit from most favoured nation treatment except for certain developing countries notably in the Mashreq. This means that in some cases Jordan can grant other developing countries trade concessions without extending them to the EEC.

There is no immediate obligation in the agreement for Jordan to make reciprocal trade concessions to the Community. It thus has time to consolidate the present regime and can even increase tariff protection to encourage its own industrialisation programme.

Although the long term objective of the agreement is free trade between Jordan and the EEC this will only be possible when the economic gap between the two has been reduced.

Jordan's External Trade with the EEC (million u.a.)

| | 1972 | 1973 | 1974 | 1975 |
|-------------------------|--------|-------|--------|---------|
| Trade Balance | - 66.2 | -74.5 | -129.9 | - 197.8 |
| Imports | 68.8 | 76.3 | 132.4 | 205.5 |
| Exports | 2.6 | 1.8 | 2.5 | 7.7 |
| of which: | | | | |
| Agricultural Products | 0.199 | 0.175 | 0.326 | 0.187 |
| Raw Materials | 0.343 | 0.339 | 0.349 | 5.470 |
| Industrial Products | 2.106 | 1.284 | 1.813 | 2.057 |
| <u>Index 1970 = 100</u> | | | | |
| Imports | 140 | 156 | 270 | 419 |
| Exports | 289 | 200 | 278 | 856 |

Source: Statistical Office of the European Communities

Industrial Products: Free access for Jordanian exports except cotton fabrics.

An interim arrangement will allow an 80% tariff reduction as well as the removal of quantitative restrictions on Jordanian exports to be applied from 1 January 1977. The tariff reduction will be increased to 100% on 1 July 1977.

The only Jordanian exports to the EEC subject to quantitative restrictions are "other woven fabrics" (CCT 55.09). Import ceilings on these products will be increased by 5% annually until they are abolished at the end of 1979.

Although the following sensitive Jordanian products have been given free access the Community reserves the right to introduce import ceilings should they be necessary.

| <u>CCT Heading</u> | <u>Products</u> |
|--------------------|---|
| 28.40 B. 11 | Phosphates including polyphosphates other than ammonium |
| 31.03 | Mineral or chemical fertilisers phosphatic |
| 31.05 | Fertiliser compounds containing phosphates |
| 55.05 | Cotton yarn not put up for retail sale |
| Chapter 76 | Aluminium. |

Jordan may introduce new customs duties or quantitative restrictions in order to meet its industrial and development needs. This safeguard coupled with the removal of Community tariff and quantitative restrictions and reinforced by technical and financial aid should encourage a substantial increase in Jordanian exports.

Both Jordan and the EEC will respect a non-discrimination clause. For Jordan this means it will not discriminate against EEC Member States, their citizens or their companies.

In its 5 year development plan 1976 - 80 Jordan envisages an annual 12% growth in gross domestic product. Phosphate production will be increased from 2 million tons in 1975 to 5.4 million tons in 1980. Industrial development projects for which Community assistance could be requested are a fertiliser factory at Aqaba, expansion of the oil refinery at Aqaba and a new cement factory (10% exports 1974).

Emphasis is placed on developing export industrial - phosphates, fertilisers, cement and refined petroleum products.

Agricultural Products: Tariff reductions from 40 - 80% will help increase exports

The value of Jordan's agricultural exports to the Community is very low. At the same time the value of individual exports fluctuates widely from year to year. For instance in 1972 exports of lentils and other dried vegetables formed 60% of the total value of its farm exports to the Community and sweet peppers 20% but in 1975 the positions had been reversed.

In the main Jordanian farm exports complement Community production either by providing different produce e.g. dates and mangoes or the same produce out of season e.g. onions, sweet peppers. Only in a few cases such as citrus fruits is there direct competition.

Under the agreement Jordanian exports ranging from beans and guavas to dried vegetables and grapefruit will benefit from tariff reductions between 40 - 80% from the beginning of 1977. These cover about 85% of Jordan's farm exports to the EEC and exceptionally include some products which it has not so far exported to the EEC e.g. water melons and onions.

The concessions should help to substantially increase Jordanian farm exports to the Community. Import calendars and safeguard clauses will only have limited restrictive effects on Jordanian exports.

The three new Community members - Denmark, Ireland and the United Kingdom - can apply special duties (not less than those applied in the Common Customs Tariff CCT) on imports of fresh oranges (CCT No. 08.02 Ex A) fresh mandarines, clementines and wilkings (CCT no. 08 . 02 Ex B) until 1 January 1978).

Below are the concessions granted Jordan's main agricultural exports to the EEC as well as the value of these exports in 1975.

| Products | Rate of Reduction | Calendar | CCT Duty % | Duty left % | Value (000 eua) | Value (000 eua) |
|----------------------------------|-------------------|---------------------------------------|------------|-------------|-----------------|-----------------|
| Peppers | 40% | 15 Nov. - 30 April | 9 | 5.4 | 122 | 9 |
| Lentils & other dried vegetables | 80 | - | 4.5 | 0.9 | 14 | 3 |
| Citrus fruit fruits | 40 - 60 | - | 4 - 20 | 1.6 - 10 | 7 | 1 |
| Aubergines & Courgettes | 60 | 15 Jan - 30 April 1 Dec - End Feb. | 16 | 6.4 | 2 | 4 |
| Tomatoes | 60 | 1 Dec - 31 March | 11 | 4.4 | - | 2 |
| Water-melons | 50 | 1 April - 15 June | 11 | 5.5 | - | 5 |
| Beans | 60 | 1 Nov - 30 April | 13 | 5.2 | - | 11 |
| Onions | 50 | 1 Feb - 30 April | 12 | 6.0 | - | 15 |

Source: World Bank

Agriculture occupies about 30% of Jordan's 2.4 million population and contributed about 25% of its total world exports between 1973 - 75. Under its 1976 - 80 5 year plan Jordan is giving priority to high value export earners such as fruits and vegetables rather than low yield crops such as cereals which it will continue to import. Jordan could ask for Community aid in such projects as the Integrated Development of the Jordan Valley which emphasises irrigated farming and will boost fruit and vegetable exports by 10% between 1975 - 80.

Joint Management of the Agreement

A cooperation Council composed of Ministers from both sides will meet at least once a year to supervise and make recommendations concerning the implementation of the agreement. Decisions will be taken by common assent.

The Residency of the Council will be held alternately by the Community and Jordan. The Presiden can set up specialist committees to assist the Council in carrying out its duties.

Contracts will also be organised at a more popular and democratic level between European and Egyptian deputies.

The Agreement will be reviewed in 1979 and again in 1984 and possible improvements made.

The above arrangements enable a permanent dialogue to take place between the two sides and help contribute to a mutual understanding of each other's problems.

Finally all the various methods of cooperation described above - economic, technical financial, commercial, institutional - contribute to the objective set out in the preamble to the agreement. This is to establish a new model for relations between developed and developing States, compatible with the aspirations of the International Community towards a more just and more balanced economic order".

Food Aid: Jordan has received 16 million ua of Community aid between 1970 - 76

Apart from assistance through the cooperation agreement, Jordan receives substantial food aid from the Community. Between 1970 - 76 this aid was worth 15.61 million eua. about 13% of overall Community food aid of 123 million eua. to the four Mashreq countries and the United Nations Relief and Works Agency (UNRWA). Jordan's Palestinian refugees also benefitted from the 36 million eua. of food aid given by the Community over the same period.

| Food Aid 1970- 76 | Cereals | Powdered Milk | Butteroil |
|-------------------|--------------|--------------------|-------------------|
| | tonnes ua m. | tonnes ua .million | tonnes ua million |
| Jordan | 79,280 7.6 | 5,370 2.8 | 4,880 5.05 |
| UNWRA | 116,450 19.6 | 5,400 3.3 | 10,000 13.1 |

In 1976 the volume of food aid received by Jordan constituted under 1% of total Community Food Aid during the year. Although only very small in % terms Jordan values this aid highly. It is allocated by the Community according to various criteria such as six of food deficit, gross national product per capita, and of balance of payments deficit.