

ANNEX 2.1

TARIFF ELIMINATION

1. Except as otherwise provided in a Party's Schedule attached to this Annex, the following staging categories apply to the elimination of customs duties by each Party pursuant to Article 2, paragraph 1:
 - (a) duties on goods provided for in the items in staging category A in a Party's Schedule shall be removed in two equal annual stages beginning on January 1 of year one, and such goods shall be duty-free, effective January 1 of year two;
 - (b) duties on goods provided for in the items in staging category B in a Party's Schedule shall be removed in four equal annual stages beginning on January 1 of year one, and such goods shall be duty-free, effective January 1 of year four;
 - (c) duties on goods provided for in the items in staging category C in a Party's Schedule shall be removed in five equal annual stages beginning on January 1 of year one, and such goods shall be duty-free, effective January 1 of year five;
 - (d) duties on goods provided for in the items in staging category D in a Party's Schedule shall be removed in ten equal annual stages beginning on January 1 of year one, and such goods shall be duty-free, effective January 1 of year ten;
 - (e) duties on goods provided for in the items in staging category E in a Party's schedule shall be removed in accordance with existing WTO duty-elimination commitments (WTO Schedule XX for the United States, and WTO Schedule CXLVII for the Hashemite Kingdom of Jordan).
2. The base rate of customs duty and staging category for determining the interim rate of customs duty at each stage of reduction for an item are indicated for the item in each Party's Schedule attached to this Annex.
3. For the purpose of the elimination of customs duties in accordance with Article 2, interim staged rates shall be rounded down, at least to the nearest tenth of a percentage point or, if the rate of duty is expressed in monetary units, at least to the nearest 0.001 of the official monetary unit of the Party.

ANNEX 2.2

RULES OF ORIGIN

1. This Agreement shall apply to any article if:
 - (a) that Article is wholly the growth, product or manufacture of a Party or is a new or different article of commerce that has been grown, produced, or manufactured in a Party;
 - (b) that article is imported directly from one Party into the other Party; and
 - (c) the sum of (i) the cost or value of the materials produced in the exporting Party, plus (ii) the direct costs of processing operations performed in the exporting Party is not less than 35 percent of the appraised value of the article at the time it is entered into the other Party.
2. No article shall be considered a new or different article of commerce under this Agreement and no material shall be eligible for inclusion as domestic content under this Agreement by virtue of having merely undergone (a) simple combining or packaging operations or (b) mere dilution with water or with another substance that does not materially alter the characteristics of the article or material.
3. For purposes of this Agreement, the expression “wholly the growth, product, or manufacture of a Party” refers both to any article which has been entirely grown, produced, or manufactured in a Party and to all materials incorporated in an article which have been entirely grown, produced, or manufactured in a Party, as distinguished from articles or materials imported into a Party from a non-participating country, whether or not such articles or materials were substantially transformed into new or different articles of commerce after their importation into the Party.
4. For the purposes of this Agreement, “country of origin” requires that an article or material, not wholly the growth, product, or manufacture of a Party, be substantially transformed into a new and different article of commerce, having a new name, character, or use distinct from the article or material from which it was so transformed.¹
5. For purposes of determining the 35 percent domestic content requirement under this Agreement, the cost or value of materials which are used in the production of an article in one Party, and which are products of the other Party, may be counted in an amount up to 15 percent of the appraised value of the article. Such materials must in fact be products of the importing Party under the country of origin criteria set forth in this Agreement.
6. (a) For purposes of this Agreement, the cost or value of materials produced in a Party includes:
 - (i) The manufacturer’s actual cost for the materials,
 - (ii) When not included in the manufacturer’s actual cost for the materials, the freight, insurance, packing, and all other costs incurred in transporting the materials to the manufacturer’s plant,
 - (iii) The actual cost of waste or spoilage (material list), less the value of recoverable scrap, and

¹ For the purposes of this Agreement, the processing of goods imported under Harmonized Commodity Description and Coding System (HS) subheading 0805 into goods classified under HS subheadings 2009.11 through 2009.30 does not satisfy the requirements of paragraph 1(a).

(iv) Taxes and/or duties imposed on the materials by a Party, provided they are not remitted upon exportation.

(b) Where a material is provided to the manufacturer without charge, or at less than fair market value, its cost or value shall be determined by computing the sum of:

i. All expenses incurred in the growth, production, or manufacture of the material, including general expenses,

ii. an amount for profit, and

iii. Freight, insurance, packing, and all other costs incurred in transporting the material to the manufacturer's plant.

(c) If the pertinent information is not available, the appraising officer may ascertain or estimate the value thereof using all reasonable ways and means at his disposal.

7. Direct costs of processing operations

(a) For purposes of this Agreement, direct costs of processing operations performed in a Party mean those costs either directly incurred in, or which can be reasonably allocated to, the growth, production, manufacture, or assembly, of the specific article under consideration. Such costs include, but are not limited to the following, to the extent that they are includible in the appraised value of articles imported into a Party:

(i) all actual labor costs involved in the growth, production, manufacture, or assembly, of the specific article, including fringe benefits, on-the-job training, and the cost of engineering, supervisory, quality control, and similar personnel;

(ii) dies, molds, tooling and depreciation on machinery and equipment which are allocable to the specific article;

(iii) research, development, design, engineering, and blueprint costs insofar as they are allocable to the specific article; and

(iv) costs of inspecting and testing the specific article.

(b) Those items that are not included as direct costs of processing operations are those which are not directly attributable to the articles or are not costs of manufacturing the product. These include, but are not limited to:

(i) profit; and

(ii) general expenses of doing business which are either not allocable to the specific article or are not related to the growth, production, manufacture, or assembly of the article, such as administrative salaries, casualty and liability insurance, advertising, and salesmen's salaries, commissions, or expenses.

8. For purposes of this Agreement, "imported directly" means:

(a) direct shipment from one Party into the other Party without passing through the territory of any intermediate country; or

(b) if shipment is through the territory of an intermediate country, the articles

in the shipment do not enter into the commerce of any intermediate country and the invoices, bills of lading, and other shipping documents, show the other Party as the final destination, or

- (c) if shipment is through an intermediate country and the invoices and other documents do not show the other Party as the final destination, then the articles in the shipment, upon arrival in that Party are imported directly only if they
 - (i) remain under the control of the customs authority in an intermediate country;
 - (ii) do not enter into the commerce of an intermediate country except for the purpose of a sale other than at retail, provided that the articles are imported as a result of the original commercial transaction between the importer and the producer or the producer's sales agent; and
 - (iii) have not been subjected to operations other than loading and unloading, and other activities necessary to preserve the article in good condition.

9. Textile and apparel products

- (a) General rule. A textile or apparel product shall be considered to be wholly the growth, product or manufacture of a Party, or a new or different article of commerce that has been grown, produced, or manufactured in a Party; only if
 - (i) the product is wholly obtained or produced in a Party;
 - (ii) the product is a yarn, thread, twine, cordage, rope, cable, or braiding, and,
 - (1) the constituent staple fibers are spun in that Party, or
 - (2) the continuous filament is extruded in that Party;
 - (iii) the product is a fabric, including a fabric classified under chapter 59 of the Harmonized Commodity Description and Coding System, and the constituent fibers, filaments, or yarns are woven, knitted, needled, tufted, felted, entangled, or transformed by any other fabric-making process in that Party; or
 - (iv) the product is any other textile or apparel product that is wholly assembled in that Party from its component pieces.
- (b) Special rules.
 - (i) Notwithstanding subparagraph (a)(iv), and except as provided in subparagraphs (b)(iii) and (b)(iv), whether this Agreement shall apply to a good that is classified under one of the following HTS headings or subheadings shall be determined under subparagraphs (i), (ii), or (iii) of subparagraph (a), as appropriate: 5609, 5807, 5811, 6209.20.50.40, 6213, 6214, 6301, 6302, 6304, 6305, 6306, 6307.10, 6307.90, 6308, or 9404.90.
 - (ii) Notwithstanding subparagraph (a)(iv), and except as provided in subparagraphs (b)(iii) and (b)(iv), this Agreement shall apply to a textile or apparel product which is knit to shape in a Party.
 - (iii) Notwithstanding subparagraph (a)(iv), this Agreement shall apply to goods classified under HTS heading 6117.10, 6213.00, 6214.00, 6302.22,

6302.29, 6302.52, 6302.53, 6302.59, 6302.92, 6302.93, 6302.99, 6303.92, 6303.99, 6304.19, 6304.93, 6304.99, 9404.90.85, or 9404.90.95, except for goods classified under such headings as of cotton or of wool or consisting of fiber blends containing 16 percent or more by weight of cotton, if the fabric in the goods is both dyed and printed, when such dyeing and printing is accompanied by 2 or more of the following finishing operations: bleaching, shrinking, fulling, napping, decatizing, permanent stiffening, weighting, permanent embossing, or moiréing.

(iv) Notwithstanding subparagraph (a)(iii), this Agreement shall apply to fabric classified under the HTS as of silk, cotton, man-made fiber, or vegetable fiber if the fabric is both dyed and printed in a Party, and such dyeing and printing is accompanied by 2 or more of the following finishing operations: bleaching, shrinking, fulling, napping, decatizing, permanent stiffening, weighting, permanent embossing, or moiréing.

(c) Multicountry rule. If the application of this Agreement cannot be determined under subparagraphs (a) and (b), then this Agreement shall apply if

(i) the most important assembly or manufacturing process occurs in a Party, or

(ii) if the application of this Agreement cannot be determined under subparagraph (c)(i), the last important assembly or manufacturing occurs in a Party.

10. Whenever an importer enters an article as eligible for the preferential treatment provided by this Agreement –

(a) the importer shall be deemed to certify that such article qualifies for the preferential treatment provided by this Agreement.

(b) the importer shall be prepared to submit to the customs authorities of the importing country, upon request, a declaration setting forth all pertinent information concerning the production or manufacture of the article. The information on the declaration should contain at least the following pertinent details:

(i) a description of the article, quantity, numbers, and marks of packages, invoice numbers, and bills of lading;

(ii) a description of the operations performed in the production of the article in a Party and identification of the direct costs of processing operations;

(iii) a description of any materials used in production of the article which are wholly the growth, product, or manufacture of either Party, and a statement as to the cost or value of such materials;

(iv) a description of the operations performed on, and a statement as to the origin and cost or value of, any foreign materials used in the article which are claimed to have been sufficiently processed in a Party so as to be materials produced in that Party; and

(v) a description of the origin and cost or value of any foreign materials used in the article which have not been substantially transformed in a Party.

This declaration shall be prepared, signed, and submitted by the importer upon request by the importing Party. A declaration should only be

requested when the importing Party has reason to question the accuracy of the certification that, by operation of subparagraph (a), is deemed to have occurred, or when the importing Party's procedures for assessing the risk of improper or incorrect entry of an imported article indicate that verification of an entry is appropriate, or when a random verification is conducted. The information necessary for the preparation of the declaration shall be retained in the files of the importer for a period of 5 years.

11. In order to further the administration of this Agreement, the Parties agree to assist each other in obtaining information for the purpose of reviewing transactions made under this Agreement in order to verify compliance with the conditions set forth in this Agreement.

12. The Parties will consult from time to time on the interpretation of these provisions and on any practical problems which may arise with a view to prevent unnecessary barriers to trade which are inconsistent with the objectives of this Agreement. In this connection, amendments of the present rules could be proposed.

13. Within six months of the entry into force of this agreement, the Parties shall enter into discussions with a view to deciding the extent to which the cost or value of materials which are products of a territory contiguous to Jordan may be counted in the appraised value of the Article for purposes of determining the 35 percent content requirement under this Agreement.

ANNEX 2.3

UNDERSTANDING CONCERNING ARTICLE 2

1. Articles 2.3 and 2.4 shall not apply to:
 - (a) controls by the United States on the export of logs of all species;
 - (b)
 - (i) measures under existing provisions of the *Merchant Marine Act of 1920*, 46 App. U.S.C. § 883; the *Passenger Vessel Act*, 46 App. U.S.C. §§ 289, 292 and 316; and 46 U.S.C. § 12108, to the extent that such measures were mandatory legislation at the time of the United States' access to the General Agreement on Tariffs and Trade 1947 and have not been amended so as to decrease their conformity with Part II of GATT 1947;
 - (ii) the continuation or prompt renewal of a non-conforming provision of any statute referred to in subparagraph (b); and
 - (iii) the amendment to a non-conforming provision of any statute referred to in subparagraph (b) to the extent that the amendment does not decrease the conformity of the provision with Articles 2.3 and 2.4; and
 - (c) Actions authorized by the Dispute Settlement Body of the WTO
2. For purposes of Article 2.1 and 2.4:
 - (a) "customs duty" includes any customs or import duty and a charge of any kind imposed in connection with the importation of a good, including any form of surtax or surcharge in connection with such importation, but does not include any:
 - (i) charge equivalent to an internal tax imposed consistently with Article III:2 GATT 1994, in respect of like, directly competitive or substitutable goods of the Party, or in respect of goods from which the imported good has been manufactured or produced in whole or in part;
 - (ii) antidumping or countervailing duty that is applied pursuant to a Party's domestic law;
 - (iii) fee or other charge in connection with importation commensurate with the cost of services rendered; and
 - (iv) a duty imposed pursuant to Article 5 of the WTO Agreement on Agriculture.
 - (b) "quantitative restriction" includes any prohibition or restriction on the importation of any good of another Party, except in accordance with Article XI of GATT 1994 or Article 6 of the WTO Agreement on Textiles and Clothing, including their interpretative notes, and to this end, Article XI of GATT 1994 and Article 6 of the WTO Agreement on Textiles and Clothing are incorporated into and made a part of this Annex.

ANNEX 3.1