



Kingdom of the Netherlands



SHORT PRIMER ON

# THE NEW TRANSITIONAL RULES OF ORIGIN

IN THE CONTEXT OF THE PAN EUROPEAN-  
MEDITERRANEAN FREE TRADE AREA

Implemented by

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## 1. Introduction

The main goal of this primer is to highlight important changes in the so-called Transitional Rules (TR) applicable from September 2021.

In the Pan-Euro-Mediterranean context, Jordan concluded free trade agreements with major economic Partners as follows:

Agreement	Date Signed	Date of Entry into Force
Jordan- EU Association Agreement	24/11/1997	1/5/2002
Jordan-EFTA Free Trade Agreement <sup>1</sup>	21/6/2001	1/1/2002
The Agreement Establishing a free Trade Area amongst Arab Euro- Mediterranean Countries (The Agadir Agreement) <sup>2</sup>	25/2/2004	6/7/2006

In 2013, the “Regional Convention on Pan-Euro-Mediterranean Preferential Rules of origin” (PEMC), that entered into force. The PEMC collects the rules of origin of the European and Mediterranean partner Agreements, from EU, EFTA; Jordan, Egypt, Tunisia, Morocco, Ukraine, and others, into one single legal instrument.

<sup>1</sup> The EFTA states; Iceland, Liechtenstein, Norway and Switzerland

<sup>2</sup> The Agreement includes Jordan, Egypt, Tunisia and Morocco. Noting that the accession of Lebanon and Palestine to the Agadir Agreement was approved. The entry into force of the agreement for the two countries is subject to the completion of administrative procedures.

Lately, there have been some exceptions to this uniform approach again, thus, in the context of Jordan, the user might find again some confusing but appealing choices. The two additional choices are called “**Transitional Rules**”, which is applicable for several partner countries, or “**Jordan Compact**” which is a facilitation that applies only for exports towards the EU.

**Note:** In all those cases, it is not the competent authority but the producer or exporter that might choose the rules of origin that best fit his needs.

On the other hand, the Transitional Rules (TR) of origin will complement the PEMC as such. In this Pamphlet, only the novelties provided by the **Transitional ROO are highlighted**. **The TR might also be called “Alternative Protocol on Rules of Origin”**. For detailed information, the user can refer to the comprehensive Manual, which is available separately.

## 2. The Transitional Rules of Origin

### 2.1 Wholly Obtained Products of Jordan (TR, Appendix A, Art. 3)

The Transitional ROO will introduce just a new definition of wholly obtained for “**aquaculture**”, specifying that imported fingerlings, larvae, fry, or eggs might be used to obtain wholly obtained fish, crustaceans, molluscs, and other aquatic invertebrates. This rule now allows to import so-called “fingerlings”, which are already born small fish, that can be raised by the local fish farmers. This is common commercial practice and contributes to raise the profit from fish-farming.

For fish caught in international waters by Jordanian fishing vessels, it is worth noting that certain conditions of definition of a Jordanian vessel have been relaxed. This is about ownership and crew conditions, that were previously very stringent.



## 2.2 Lower Value Criteria – Value-Added in the Last Country of Production

It is important to note that most complex and restrictive rules of origin of the PEMC will be greatly liberalised with the entry into force of the **Transitional Rules**. As a guideline, the value-added required to claim Jordanian origin will **not be higher than 50% (of third country input)**. This new limit is a major liberalisation above all for the machinery, electronics and electro-mechanical sectors, including automotive industries.

**Note:** The Transitional Rules features in Art. 4 new rules allowing for a calculation of values on an average basis, usually to be applied throughout a fiscal year. This calculation allows producers and exporters to calculate with average input values and selling prices. This is very customer friendly and gives a more predictable origin determination. Under special circumstances, exporters might opt to change the basis for such a calculation already after three months.

## 2.3 Processing Rules

The **Transitional Rules** on rules of origin will introduce in **Annex 1 to Appendix I** additional processing rules in the chemical sector (HS Chapters 28 – 38). The origin conferring concepts will be:

- Chemical reaction rule
- Deliberate mixture of chemicals
- Deliberate change in particle size
- Purification of chemical substances
- Standardisation of materials (i.e., fine-tuning of dyes and colours to perform the same intensity across several dyeing or printing operations)
- Isomer separation

For industries in this sector, such rules will be easier to apply, as the chemical engineers can apply those rules of origin corresponding to their specialty and knowledge, thus directly confirm the manufacturing process when applying for Jordanian origin.

## 2.4 Full Cumulation (TR, Appendix A, Art. 7)

The Transitional Rules on Rules of Origin **introduce the concept of full cumulation**, at the **exception of textiles and garments**. However, at the discretion of specific bilateral relations, countries can notify to accept full cumulation for textiles and garments as well.

Full cumulation is the ultimate strive for economic integration among a free trade area. The logic is to achieve the **deepest possible economic integration of regional value-chains**.

To facilitate the **application of full cumulation**, the Transitional Rules introduces a special origin declaration, which is called **“suppliers declaration”** (Appendix I, Art. 29). Please note that cumulation must be endorsed in box 7 of the proof of origin and CUMULATION APPLIED WITH (name of the relevant applying Contracting Party/Parties in English).

## 2.5 Tolerance Rule (TR, Appendix A, Art. 5)

The Transitional Rules raise the **tolerance to 15%**. It will also change the method of calculation of the tolerance for most agricultural products of Chapters 2 and 4 to 24 (except fishery products of Chapter 16), focussing on a tolerance of 15% of weight, instead of value, compared to the total weight of the product. Annex I, Notes 6 and 7, to the Transitional Rules, concerning textiles products will contain as well raised tolerances for mixtures of textile materials, and as well based on weight percentages.



## 2.6 Transport Rule (TR, Appendix A, Art. 14)

The Transitional Rules change radically with the strict direct consignment rule and will focus on “**Non-alteration**”, in other words also called “**non-manipulation**”.

Recognising global trade practices, the rule recognises that consignments might be transported indirectly, and it even **be split up abroad**. In case of splitting up the consignment, the exporter in Jordan will have to apply for a new proof of origin, mentioning the new quantities and destination country.

Main condition is that storage of products or consignments and splitting of consignments take place under customs supervision in the third country(ies). In case of doubts about the identity of the products, the importing country might ask for more evidence, beyond the existing shipping and import documentation.

## 2.7 Drawback (TR, Appendix A, Art. 16)

A major shift and liberalisation will be introduced through the transitional rules. For most HS Chapters, **claiming drawback will be allowed**. Due to concerns of some PEMC Members, drawback will still be prohibited for textiles and garments of HS chapters 50 to 63, which is also the main aim of the respective article. But as well in this case, there is an option to grant the refund on customs duties in case of the declaration by the respective party to accept full cumulation.

## 2.8 Accounting Segregation (TR, Appendix A, Art. 12)

Producers sometimes source identical inputs from different countries. It can well be that sometimes, those materials are originating, sometimes not.

Even the PEMC recognises that such separation of materials is expensive, and offers one solution, which is the accounting segregation. The only difference that the TR will provide is that the proof of the “costs” has been dropped; it is now only needed that companies show they have “fungible” goods.

## 3. Administrative Rules and Requirements

### 3.1 The Certificate of Origin or Movement Certificate EUR.1 (TR, Appendix A, Art. 17)

Under normal circumstances, when the producer or exporter in Jordan claims and proves that he will export an originating product, he will apply for a **movement certificate EUR.1**. This means that origin is conferred because he exports a wholly obtained or sufficiently transformed product, meeting the rules of origin of the PEMC. Special conditions have to be flagged on the certificate itself, usually in Box 7 “Remarks”. **Indeed, such special conditions would be the use of the Transitional Rules**. For the transitional rules, the movement certificate EUR.1 should include the **statement in English ‘TRANSITIONAL RULES’ in box 7**. This statement has a huge influence as the rules of origin applicable will be different as well as the validity period of the movement certificate itself.

Another simplification introduced by the Transitional Rules is the abolishment of the certificate of origin EUR-MED. The main reason is that the distinction of two different schemes has become obsolete with the abolishment of the prohibition of drawback and with the introduction of full cumulation (except, as explained, for the textiles sector).



### 3.2 The Raise of Electronic Procedures (TR, Appendix A, Art. 17, §3 and 4)

Although not specifically regulated, countries can adopt electronic certification systems, where exporters and producers can apply electronically for the issuance of certificates of origin. However, as electronic, preferential certificates are not yet accepted abroad, the competent authorities will issue a paper version.

The Transitional Rules introduce the option of another electronic registration system into the PEMC. This clause is similar to the so-called “Registered Exporter scheme” that the EU and the EFTA countries have introduced in their in their Generalised System of Preferences.

Importantly, the PEMC will keep as alternative the movement certificate EUR.1. The article sets the option, that countries might adopt systems to issue, transmit and accept proofs of origin (certificates and declarations of origin) electronically.

### 3.3 Suppliers Declaration (TR, Appendix A, Art. 29)

The new **supplier’s declaration** serves as evidence of the working or processing undergone in the party where the intermediate manufacturing has taken place and where full cumulation is invoked to issue a proof of origin. The supplier’s declaration has to be established in addition to the invoice, the delivery note, or any other commercial document, and describing the goods concerned in sufficient detail to enable them to be identified.

Where a supplier regularly supplies a particular customer with goods for which the working or processing is expected to remain

constant for a period of time, he may provide a single supplier’s declaration to cover subsequent consignments of those goods (the ‘long-term supplier’s declaration’). A long-term supplier’s declaration may normally be valid for a period of up to two years from the date of making out the declaration.

### 3.4 Obtaining Another Proof of Origin (Self-Declaration) (TR, Appendix A, Art. 18)

The PEMC offers a facilitation, which is an invoice declaration for consignments below the threshold of EUR 6,000 or, in the case of Jordan, of JOD 4,662 (as of 2020; value limit might change on a yearly basis).

Below this threshold, no certificate of origin or no approval from the competent authorities is necessary, and the exporters might add a specific declaration on his invoice or other commercial document. The wording must follow the exact meaning as given by the PEMC Appendix 1, Annex IV. In case of cumulation, a reference to cumulation must figure on the declaration as well.

It is not a change in substance, but **the transitional rules will relabel such declaration to “origin declarations”**.

### 3.5 Retrospective Issuance, Duplicates, and Copies (TR, Appendix A, Art. 21 and 22)

Under the Transitional Rules, in case of involuntary omission, a movement certificate EUR.1 can be issued retrospectively, meaning after the product(s) have been exported. The application must state the reason for the omission at the time of export. The issuing authority must verify the information provided and issue the certificate of origin accordingly. The certificate must say clearly **“ISSUED RETROSPECTIVELY”** (Box



7). This mention makes sure that the importing country accepts the proof of origin. This solution applies also if a **shipment is split up abroad** and a new proof of origin is issued with the new addressee, quantity and specific goods concerned.

In the event of theft, loss or destruction of a movement certificate EUR.1, the exporter in Jordan might apply with the competent authorities for a duplicate made out based on the export documents in its possession. The newly issued certificate must be clearly marked with the word “**DUPLICATE**” (in Box 7).

To remind again that Box 7 might also need a special mention in case cumulation was used and thus bear the remark “**CUMULATION APPLIED WITH** (name of the relevant applying Contracting Party/Parties in English).”

### 3.6 Validity and Conservation (TR, Appendix A, Art. 23 and 31, §4)

Please note, that under the Transitional Rules, a proof of origin shall be valid for **ten months** from the date of issuance in the country of export. In case of duplicate, the duplicate takes over date and validity from the original certificate of origin, thus, a duplicate cannot extend the validity period. All proofs of origin and supporting documents must be kept for a period of 3 years.

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