

EEC—JORDAN COOPERATION AGREEMENT

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1. SUMMARY

The main object of the agreement between Jordan and the EEC signed in Brussels on 18 January 1977 is to establish a wide area of cooperation between the two sides and contribute to Jordan's economic and social development. The agreement covers the whole area of cooperation. This includes trade, economic, and technical cooperation as well as financial aid totalling 40 million units of account (1 ua = 0.37 Jordan Dinars).

Because the agreement is for an unlimited period, there is a stable contractual framework for making long term planning decisions. Projects giving far reaching benefits, e.g., investment in basic infrastructure such as roads and power supplies, as well as measures to open up the Community market to Jordanian exports, can be implemented.

The agreement is also dynamic in the sense that it is capable of continuous improvement based on the principle of interdependence, equality, and joint management. It is managed by a Cooperation Council, a Cooperation Committee, and specialist committees as required. A timetable is laid down for examining the results of the agreement and introducing improvements. The first review will take place in 1979 and the second in 1984.

2. INTERIM AGREEMENT

On 1 July 1977, an interim agreement between Jordan and the EEC came into force. It will bridge the gap between the signing of the cooperation agreement and its ratification by the parliaments of Jordan and the Nine Member States. This process should be completed in 1978 (Jordan has already ratified the agreement). Ratification is necessary because the agreement contains financial provisions.

The interim agreement enabled the trade section of the cooperation agreement to be implemented from 1 July 1977. This means that most Jordanian agricultural exports to the Community now benefit from substantial tariff concessions. With the temporary exception of a few sensitive items, all Jordanian industrial and raw material exports (including those covered by the European Coal and Steel Community) enjoy free access to the Community.

At the same time, preparations are under way so that implementation of economic, financial and technical aid can start as soon as the agreement is ratified.

3. TRADE MEASURES

A. EEC - Jordan Trade

Although the overall amount of trade between the EEC and Jordan is very small, Jordan still recorded a serious trade deficit of 440 million u.a. in 1976. This was over double the 1975 deficit and nearly six times the 1973 deficit. The main reason for the growth in Jordan's trade deficit is that its imports have risen steeply while its exports remain at a very low level.

In 1976 Jordanian exports to the Community were worth only 13 million u.a. although this was an eightfold increase on 1973. Phosphates are mainly responsible for this increase, and now represent 55 per cent of the total value of Jordanian exports to the EEC.

Machines and transport equipment were Jordan's 2nd most valuable export in 1976, representing 27 per cent of the total value of Jordanian exports. Agricultural exports accounted for only 5.3 per cent of total exports in 1976, a much lower share than in other Mashreq countries. This can partly be explained by the loss of the West Bank of the river Jordan after the 1967 war.

Community exports to Jordan in 1977 were worth only 371 million u.a., well under 0.1 per cent of its total world exports. The main Community exports were machines and transport equipment. (56 per cent) manufactured articles (15 per cent) and food (10 per cent - mainly cereals).

Community exports to Jordan benefit from most-favoured-nation treatment (MFN) except in respect of certain developing countries notably in the Mashreq area. Jordan is entitled to grant these countries trade concessions without extending them to the EEC.

Jordan is under no immediate obligation to make reciprocal trade concessions to the EEC. It thus has time to consolidate the present regime and can even increase tariff protection so as to encourage its own industrialisation programme.

The long term objective of the agreement remains free trade but this will only be possible when the economic gap between Jordan and the Community has been reduced.

Jordan's External Trade With EEC (million u.a.) 1973-76

	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
Imports	77.4	138.8	218.6	454.2
Exports	1.8	2.6	8.2	13.1
<u>Trade Balance</u>	- 75.6	-136.2	-210.4	-439.3
Index 1970 = 100				
Imports	162	290	456	948
Exports	200	289	911	1655
<u>Breakdown of Exports %</u>				
Agricultural Products	22.2	23.1	3.7	5.3
Industrial Products	77.8	76.9	96.3	94.7

Source: Statistical Office of EEC

BREAKDOWN OF JORDAN'S TRADE WITH EEC 1976 (million u.a.)

Product	Import (million ua)	%	Export (million ua)	%
<u>Total</u>	399,870	100	13,154	100
<u>Food Products</u>	41,658	10.4	319	2.4
Cereals	15,584	3.9		
<u>Inedible Raw Materials</u>	2,987	0.7	7,932	60.3
Calcium Phosphate			7,228	54.9
<u>Burnable Minerals</u>				
Oil derivatives	3,987	1.0	83	0.6
<u>Chemical Products</u>	32,347	8.1	27	0.2
<u>Manufactured Articles</u>	59,216	14.8	516	3.9
<u>Machines and Transport Equipment</u>				
of which:				
Transport Equipment	103,786	25.9	806	6.1
Non electric Machines	84,661	21.2	266	2.0
Machines and Electrical Appliances	37,658	9.4	2,462	18.7
<u>Others</u>	27,770	8.5	410	5.7

Source: OSCE Statistical Office of EEC.

B. Object of Trade Measures

The object of the trade measures, according to article 8 of the agreement, is to promote trade between Jordan and the European Community and to "insure a better balance in their trade, with a view to increasing the rate of growth of Jordan's trade, and improving the conditions of access for its products to the Community market".

The trade measures, covering both agricultural and industrial goods, took effect from 1 July 1977 under the terms of an interim agreement. With the exception of commodities covered by the EEC's Common Agricultural Policy (CAP) tariff duties on imports from Jordan were abolished on this date. This means that Jordanian exports no longer have to pay the EEC's third country customs tariff which averages 6 per cent.

Apart from annual ceilings on a few sensitive products, Jordanian exports are also no longer subject to quantitative restrictions or measures having equivalent effect. The only exceptions are those products covered by the CAP and those listed in Annex A of the Agreement (other sugars beverages and spirits, casein and albumins). Quantitative restrictions are annual quotas placed on the volume of imports of specified products. Measures having equivalent effect include other non-tariff barriers such as administrative procedures e.g. import documentation, as well as packaging norms etc.

C. Industrial Products

Free access for Jordanian exports except cotton fabrics

Since 1 July 1977 Jordanian industrial exports to the EEC have enjoyed free access to the EEC market. The only exception is "other woven fabrics" (CCT.55.09) which are subject to annual duty free ceilings until 31 December 1979.

The ceiling for the year ending 30 June 1978 is 100 tonnes. It was calculated on the basis of past export levels and will be raised by 5 per cent annually. Allowance has been made for the fact that Jordanian exports fluctuate greatly from year to year. When exports to the EEC reach 75 per cent of the ceiling the Cooperation Council set up under the agreement should be informed. Once the ceilings have been reached the Community may restore duties at the third country rate until the end of the calendar year.

Unlike tariff quotas, ceilings are a flexible tariff restriction. Once a tariff quota has been exceeded full customs duties are immediately and automatically applied by EEC Member States. However once the volume of imports reaches the specified ceiling Member States can choose whether to restore full customs duties or to maintain the preference.

Although the following sensitive Jordanian exports have been given duty free access, the Community reserves the right to introduce import ceilings should the market situation make them necessary:

<u>CCT Heading</u>	<u>Products</u>	<u>3rd Country Import Duty</u>
28.40 B.11	Phosphates including polyphosphates other than ammonium	11.2 %
31.03	Mineral or chemical fertilizers, phosphatic	2.4 to 4.8 %
31.05	Fertilizer compounds containing phosphates	
55.05	Cotton yarn not put up for retail sale	4 to 8 %
Chapter 76	Aluminium	2.5 to 12 %

The EEC may change the arrangements concerning petroleum products but only after consulting Jordanian representatives in the EEC-Jordan Cooperation Council. Changes may be made in the following circumstances but in no case may they lead to a reduction in benefits:

- Adoption of a common definition of origin for petroleum products
- Modification of the EEC common commercial policy
- Creation of a common energy policy

Processed Agricultural Products

The fixed element of charges levied on a number of processed agricultural products has been removed but the variable element is still applied (article 16). For a list of products concerned see Annex B.

The fixed element refers to the normal industrial tariff protection given Community producers. The variable element compensates Community producers for fluctuations between world and EEC prices of the various inputs used. For example cocoa is processed into chocolate using fats, milk and sugar: EEC sugar and milk prices are considerably higher than world prices and compensation is needed if Community producers are to remain competitive.

D. AGRICULTURAL PRODUCTS - General Provisions

Under the 1977 Cooperation Agreement tariff over 80% of Jordanian exports to the EEC benefit from tariff concessions of 40-80% of the standard EEC common customs tariff (CCT).

Jordan thus enjoys privileged access to the Community market for most of its farm exports which did not already enjoy free access. Three other Mashreq countries - Lebanon, Syria and Egypt - enjoy similar concessions. Other Mediterranean countries also enjoy agricultural trade benefits under the Community's global Mediterranean approach.

Safeguards:

Because the concessions cover some highly sensitive agricultural products they are subject to certain safeguards in order to protect the interests of Community producers. These concern those products grown in the Community e.g. apricots which directly compete with Jordanian products. They are often in surplus or have unstable markets. The safeguards are:

- Respect for the Community's Common Agricultural Policy (CAP)
This means respecting the Community's reference prices for fruit and vegetables, etc.
- Import Calendars: Tariff reductions valid only for certain periods of the year.
- Safeguard Clause: To protect the interests of Community producers in the event of market disruption. The EEC can use this clause to suspend imports of certain sensitive products.

EEC - Jordan Farm Trade

The value of Jordanian farm exports to the EEC is not only very small but fluctuates greatly from year to year according to the amount of rainfall. Although farm exports reached a record level of 70,000 ua in 1976 they represented only 5.3 per cent of total exports to the Community compared with 23.1 per cent in 1974.

Not only the value but also the type of product exported fluctuates greatly. For instance in 1972 exports of lentils and other dried vegetables made up 60 per cent and sweet peppers 20 per cent of the total value of Jordan's farm export to the EEC. But by 1975 the positions had been reversed.

The seriousness of the situation is illustrated by the fact that although agriculture is very important in Jordan's economy (30 per cent of the labour force) the value of its food imports in 1976 was over 100 times greater than its food exports to the EEC. But put into a Community perspective EEC farm trade with Jordan is minimal accounting for about 0.1 per cent of its world farm trade.

The main Jordanian farm exports to the EEC are sweet peppers, lentils and other dried vegetables, animal guts, bladders and stomachs (for sausage making), hemp seed and beans. For the most part Jordanian 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 fruit, is there direct competition but the quantity involved is very small.

CONCESSIONS ON MAIN FARM PRODUCTS IMPORTED BY EEC FROM JORDAN

<u>Product</u>	<u>CCT Heading</u>	<u>Concessions</u> %	<u>Duty</u> <u>Left</u> %	<u>Import</u> <u>Calendar</u>	<u>Value of</u> <u>Imports</u> <u>1976</u> <u>000 EAU</u>
Sweet peppers	07.01 ex5	40	5.4	15/11-30/4	189
Lentils and other Dried Vegetables	07.05 BII	80	0.4		113
Animal Guts and Bladders	05.04	80	-		31
Dried Beans	07.05 BI	80	0.4		8
Citrus Fruit	08.02	40-80	0.8-12		-
Aubergines) Courgettes)	07.01 ExT	60	6.4	15/1-30/4 1/12-28/2	-
Onions) Garlic)	07.01 ExH	50	6.0	1/2-30/4 1/2-31/5	-
Tomatoes	07.01 Mex1	60	4.4	1/12-31/3	-
Watermelons	ex 08.09	50	5.5	1/4-15/6	-
Mangoes,Guavas	08.01 H	40			-
Pimento Pepper	09.04 AIIc	80			-
Anise seeds etc.	09.09	80	0-2		-
Carrots	07.01 GexII	40		1/1-31/3	-
Beans	07.01 FIIex a)	60		1/11-30/4	-
Broad Beans	07.01 FexIII	40			-

Source: Statistical Office of EEC

E. RULES OF ORIGIN FOR JORDANIAN GOODS

1. In the Jordan-EEC Agreement products originating in Jordan are not covered by the EEC's Common Agricultural Policy enjoy duty free access to the Community (see page 5). In order to enjoy this advantage Jordanian products must satisfy certain conditions laid down in the second protocol to the agreement. This not only defines the concept of "originating products" but also how it should be applied (1).

In certain circumstances (see 2B) these rules also apply to EEC products exported to Jordan even though no preferences are given.

Refined petroleum products are not covered by the origin protocol and separate rules of origin apply in each EEC Member State. However any

(1) A further more detailed guide to the rules of origin is planned during 1978.

refined petroleum product based on Jordanian crude oil will have originating status.

2. Definition of an originating product

- a. A product is considered to be "originating" if it has been entirely produced ("wholly obtained") in the country concerned e.g. a tomato picked from a plant growing in Jordan is an originating tomato. In addition a product can also be considered to be "originating" if sufficient work has been carried out.
- b. Sufficient working of processing

Sufficient working or processing is defined as that working or processing which places the final product under a different tariff heading in the Customs Cooperation Council Nomenclature. However there are exceptions to this general rule because if it was applied literally it could produce some anomalies between the amount of work necessary for different products. This is because the nomenclature was not constructed for the purpose of fixing the origin of products.

There are two lists of exceptions called lists A and B. List A states that in addition to the change in tariff heading products must also fulfill some extra conditions. On the other hand List B states that alternative conditions to the change of tariff heading may be fulfilled.

The rules in Lists A and B are either "specific rules" relating to special processes and inputs which must be used or cannot be used or else "percentage rules" specifying the proportion of the value of the product which must come from the country concerned.

Some products are listed in both Lists A and B in which case the conditions of both Lists must be fulfilled. If both lists refer to a percentage rule then the proportion of non-originating imported parts cannot exceed the higher percentage. In no circumstances can the two percentages be added together.

The rules of sufficient working or processing of imported products does not apply to those inputs imported by Jordan from the Community provided that they are "originating".

- c. Minimal Processing

Whether or not a change of tariff heading has taken place and the list A and B rule has been satisfied, more than a minimal amount of processing must take place. For example the following processes are considered as "minimal" and do not involve sufficient processing to give originating status:

- I) preservation of goods during transport and storage (ventilation, spreading out, drying, chilling, placing in salt, sulphur dioxide or other aqueous solutions, removal of damaged parts and like operations).
- II) simple operations such as removal of dust, sifting or screening, sorting, classifying, matching (including the making up of sets of articles), washing, painting, cutting up.
- III) simple mixing of products, whether or not of different kinds, where one or more components of the mixture do not meet the conditions laid down in the Protocol to enable them to be considered as originating.
- IV) simple assembly of parts of articles to constitute a complete article.

D. Direct shipping or "Direct Transport"

In addition to meeting the above criteria an originating product must also be transported directly from the country of origin to the country of destination. This means that products may not pass through another country unless this is necessary for geographical reasons and then only subject to the following stringent conditions:

- I) Nothing more than trans-shipment or temporary warehousing is involved i.e. unloading and reloading. However any process to keep the goods in good condition is allowed.
- II) The goods do not "enter into the commerce of the transit country" e.g. they are not bought or sold there.
- III) The goods are not used domestically e.g. are not cleared through customs.
- IV) The goods remain under customs control in the country of transit.

3. Export Documentation

Normally a certificate EUR I is used. This is issued by the customs authorities after the exporter has filled in the application forms.

If the consignment is to be sent by post, which includes parcel post, and does not exceed 1000 units of account in value (JD 370) the exporter may choose to use a form EUR 2 which he either fills in himself or allows an authorised representative to complete. The form is then placed in the parcel and does not have to be seen by the customs of the country of export.

No document is required whatever the means of transport if the consignment is:

- less than 60 units of account in value
- contains goods destined for the personal use of the recipient, does not have any commercial purpose and quantity and represents an isolated case.

Information on the detailed application of the rules of origin can be obtained from the appropriate Jordanian authorities or from the customs administrations in the EEC Member States.

LOGICAL TREE TO ESTABLISH WHETHER A PRODUCT HAS ORIGINATING STATUS

Q 1 Is your product entirely produced in Jordan?

YES - originating product

NO - Q 2

Q 2* Are the imported parts used originating parts of the EEC?

YES - originating product

NO - Q 3

Q 3* Do the imported parts not of EEC origin, have different 4 figure CCCN classification than the final product?

YES - Q 4

NO - Q 6

Q 4* Is your product listed in list A?

YES - Q 5

NO - originating product

Q 5 Does your product satisfy the additional criteria set out in list A?

YES - originating product

NO - non originating product

Q 6* Is your product listed in list B?

YES - Q 7

NO - non originating product

Q 7 Does your product satisfy the alternative criteria set out in list B?

YES - originating product

NO - non originating product

N.B.: At the head of list B in the last column is a general 5% waver for some products chapters 84 - 92, 73.37, 97.07 and 98.03.

* If your answer is YES and NO you have to follow through both the YES and NO possibilities. Only if all the answers come out to be originating product do you have one.

F. JORDANIAN IMPORT REGIME

MFN Treatment

Community exports to Jordan represent only 0.1% of its total world exports. Under the Cooperation Agreement, Jordan is not obliged to make reciprocal trade concessions with the EEC. Instead it will grant the Community most-favoured-nation treatment (MFN). This means that Jordan will extend to the Nine any favourable trading terms offered in subsequent agreements with other countries. The only exceptions are if Jordan forms a customs union or a free trade area with the other Mashreq countries. The same applies if Jordan joins a larger regional group of developing countries aimed at promoting economic integration.

In order to satisfy its own industrialisation and development requirements, Jordan may introduce new customs duties or quotas on Community exports. Alternatively it may increase existing duties and quotas. Consultations must be held in the Cooperation Council before such measures are applied. The quotas must apply to the Community as a whole and in no case can there be discrimination between EEC Member States.

Anti-Dumping Procedure

Should either Jordan or the Community find that dumping is taking place in their trade with each other, then it can take action under Article VI of the General Agreement on Tariffs and Trade. Similar action can be taken against bounties or subsidies.

However the matter must first be discussed in the Cooperation Council and all necessary trade information be provided so that the matter can be fully examined. Any proposed safeguard measures must be discussed by the Council. Such measures must disturb the functioning of the agreement as little as possible and be withdrawn as soon as circumstances permit. In the event of serious balance of payments difficulties similar safeguard measures can be taken by Jordan or the EEC Member States.

4. ECONOMIC COOPERATION

The aim of the Jordan - EEC Cooperation Agreement is to promote the economic and social development of Jordan through economic, technical and financial cooperation. This should complement the Jordanian government's own development plans and programmes and give special emphasis to regional projects.

Types of Cooperation

Cooperation between Jordan and the EEC can take the following forms (Article 4):

- Development of economic infrastructure e.g. water and power supplies, communications etc. so as to encourage economic diversification, industrial development and the modernization of agriculture.

- Industrial Cooperation: There are various possibilities -
 - .Participate in Jordan's industrial development programmes
 - .Promote business contacts between Jordan and the EEC in both the public and private sectors.
 - .Facilitate the transfer of technology by arranging favourable terms for the purchase of patents, licenses etc.
 - .Eliminate non-tariff barriers e.g. packaging, health and safety regulations, impeding exports to either market.

COOPERATION GUIDELINES

As the agreement is not expected to be ratified until the summer of 1978 it was agreed to draw up an aid programme beforehand so as to speed up the commitment of Community aid. Accordingly a Community fact finding mission visited Jordan in May 1977 to study the economic situation and discuss development needs with the Jordanian authorities.

In October 1977 the Commission sent the EEC Council of Ministers proposals for guidelines on technical and financial cooperation. After the Nine have adopted the guidelines they will be submitted to the EEC-Jordan Cooperation Council for approval.

In January 1978 an EEC project identification mission visited Jordan and received a list of projects, to be financed by Community aid, from the Jordanian authorities. The Nine Member States are currently examining the list. The Jordanians have given priority to industrial development (60 per cent of EEC aid), followed by education and training (15 per cent), technical cooperation and studies (15 per cent) and agriculture (10 per cent).

General Objectives

- Development of agriculture so as to meet local and regional market needs.
- Training and development of industries requiring a more skilled labour force.
- Promotion of contacts between firms so as to facilitate the transfer of technology, stimulate private investment and establish joint ventures.
- Develop basic infrastructure and improve living and working conditions.

Community aid should be used to support the various forms of economic cooperation defined in article 4 of the agreement e.g. exploitation of natural resources. It should also serve as a catalyst to attract aid from other sources and encourage triangular cooperation i.e. Jordanian projects, OPEC capital and EEC know-how.

D.III Economic Priorities

The Commission has proposed that the following sectors be given priority:

DEVELOPMENT OF PRODUCTION

Industry

- Projects which reduce imports and help supply the regional market, especially those using natural resources.
- Modernize and restructure small and medium sized firms in the private sector.

Agriculture

- Projects which increase self-sufficiency in food or exports to other countries in the region.
- Soil protection and revitalization.

BASIC INFRASTRUCTURE

- Improve transport facilities for exporting goods to neighbouring markets.
- Water supplies for urban areas, open up certain rural areas and other facilities which encourage economic development.

TRAINING AND TECHNICAL ASSISTANCE

- Training teachers
- Scientific research into solar energy, the environment and data processing
- Creation of regional, technical training and professional centres for industry, agriculture and tourism.

5. TECHNICAL AND FINANCIAL COOPERATION

As stated in article 1 of Protocol No. I to the Agreement, the object of Community financial aid is to contribute towards Jordan's economic and social development.

Amount and Duration of Aid

The aid totals 40 million units of account (14.8 million J.D.) and extends until 31 October 1981. However the aid can only be released once the agreement has been ratified by the parliaments of the Nine Member States and Jordan. This process should be completed by the end of 1978.

Although the aid will be released as evenly as possible during its period of application a relatively greater amount may be committed during the first couple of years so as to compensate for the delay in

ratification. Any funds remaining at the end of October 1981 can still be used according to normal procedure.

The aid is made up as follows:

EIB Loans	: 18 million eua (6.7 million J.D.)
Loans on special terms	: 4 million eua (1.5 million J.D.)
Grants	: 18 million eua (6.7 million J.D.)
TOTAL	: 40 million eua (14.8 million J.D.)

The EIB loans will be covered by Community rather than national guarantees. The grants and special loans will come from the Community budget which from 1 January 1978 has used the new European Unit of Account.

The EIB loans come from the bank's own resources and usually benefit from a 2 percent interest rebate financed by the 4 million eua set aside for grants.

The loans on special terms will be issued for a period of 40 years at a nominal interest rate of 1 per cent. There is a 10 year grace period before repayments start.

Both types of EIB loan may be granted to the Jordanian government or appropriate Jordanian organisations e.g. Development Banks for onlending. They must however observe the terms laid down in the Financial Protocol.

Purpose of Financial Aid

EEC financial aid can be used to wholly or partly finance:

- Production and economic infrastructure, investment projects especially those aiming to diversify the Jordanian economy, promote industrialisation and modernize agriculture. These will usually be financed by EIB loans, loans on special terms or a combination of both. However the use of grants for financing capital projects is not precluded.
- Technical cooperation connected with the above projects e.g. feasibility studies, planning, choice of technology. This will normally be financed by grants.
- Training of staff to work on and later operate the above projects. As with other forms of technical cooperation, training will be financed by grants.

EEC aid should only be used to cover the cost of executing the projects. It may not be used to cover administrative, maintenance or running costs.

Award of Contracts

All Jordanian and EEC citizens are eligible to tender for contracts for projects financed by the Community.

For projects worth less than 1 mil. an accelerated procedure will be used so as to encourage Jordanian firms. This means a shorter time limit for the submission of tenders for small projects of special interest to Jordanian firms.

In special cases other countries may be permitted by mutual consent to submit tenders. This could apply to co-financed projects.

For the execution of these contracts Jordan will apply fiscal and customs arrangements at least as favourable as those applied for other international organisations.

The Community may require a guarantee before granting a loan to a non-governmental body.

Throughout the duration of EIB loans the Jordanian government will make available the foreign currency needed for the payment of interest and commission as well as for the repayment of principal.

The Cooperation Council will be responsible for the overall supervision of financial and technical cooperation. It will examine annually how the aid is being used and will examine before 31 October 1981 how the cooperation can be extended for a further period.

Given the modest volume of Community aid in relation to Jordan's development needs, co-financing is of special importance. The EEC may jointly finance projects along with Jordanian credit and development organisations, EEC Member States and International Finance Organisations e.g. Arab Funds.

Aid Beneficiaries

The following are eligible for EEC financial aid:

- The Jordanian government which in turn can authorise aid for the following bodies:
 - Official Jordanian Development Agencies
 - Private Jordanian Development Agencies
 - Private enterprise in Jordan
 - Jordanian producer groups
 - Industrial trainees and scholarship holders

Presentation and Appraisal of Projects

With the approval of the Jordanian government each of the above groups may submit a formal request for aid to the EEC. It will then be jointly considered by the EEC and the Jordanian government. On the European side it has not yet been decided how this task will be shared between the European Commission and the European Investment Bank. The exact procedure for appraising projects and making financial decisions has also still to be worked out.

The Jordanian government or other aid beneficiaries shall be responsible for the execution, management and maintenance of projects financed by the Community. The Community will check that the aid is used as efficiently as possible and in accordance with the objectives laid down in the Protocol.

European Unit of Account

The European Unit of Account (EUA) used to express the amounts of aid in Protocol No. 1 of the Jordan/EEC agreement is defined as a "basket" of the currencies of the Community's 9 Member States.

The proportion of each member currency in the basket reflects that country's productive and trading importance and is as follows:

German mark	:	0.828
Pound Sterling	:	0.0885
French franc	:	1.15
Italian lira	:	109
Dutch guilder	:	0.286
Belgian franc	:	3.66
Luxembourg franc	:	0.14
Danish krone	:	0.217
Irish pound	:	0.00759

The value of the unit of account in each of the 9 currencies is calculated daily by the European Commission using daily market exchange rates.

The daily value of the EUA in each of the Community currencies is published each afternoon and telexed to central banks and financial press agencies. They are also published daily in the official journal of the European Communities (Part C Communications and Information).

The EUA is calculated as follows. First of all, it is calculated in Belgian Francs according to the official daily exchange rate in Brussels. Then this initial value of the EUA in Belgian Francs is multiplied by the actual national daily exchange rate of member currencies to give the value of the EUA in each of the 9 currencies.

The value of the EUA is not calculated in Jordanian currency because financial transfer will normally be made in the currency of one of the EEC Member States and then converted into Jordanian currency. The value of the European Unit of account (1 euæ) on 31 March 1978 was \$1.25.

6. INSTITUTIONS

Cooperation Council

The agreement is managed by a Cooperation Council composed of representatives of the European Community and the Jordanian government. The Cooperation Council normally meets annually though extra meetings can be held at the request of either side. The Council is chaired alternatively by a representative of the EEC and of the Jordanian government.

Functions

The Cooperation Council has the power to take decisions to reach the objectives laid down in the agreement. It may also recommend measures to ensure the smooth running of the agreement. Decisions are taken by mutual consent and are binding on both sides.

The Cooperation Council can set up other specialist committees to help it carry out its duties. It can also organise meetings between members of the European and Jordanian parliaments so as to encourage an exchange of views at a more democratic level.

If either side fails to honour the agreement then the other may take appropriate action. But it must first inform the Cooperation Council and supply it with all relevant information so that the problem can be thoroughly examined beforehand. Any measures taken must affect the smooth running of the agreement as little as possible. Neither side is obliged to disclose information which it considers classified and essential for its own security.

Non-Discrimination

Both Jordan and the EEC agree not to discriminate between each others citizens, companies or firms (art.42). However under article 29 certain trade restrictions are allowed for reasons of public policy or public security etc. but they must not "constitute a means of arbitrary discrimination or a disguised restriction on trade."

In an exchange of letters on the above two articles the Jordanian Government says that "... its undertakings do not require it to repeal laws and regulations in force insofar as they remain necessary for the protection of its essential security interests." Jordan will ensure that such laws and regulations are applied in such a way as to ensure compliance with Article 40, par. 1 of the Agreement.

For its part the EEC "... expects the principles set out in the Agreement, including those Articles 29 and 42 of the Agreement, to be put into full application."

The European Community considers in particular that the application of the principle of non-discrimination should ensure the correct and smooth application of the Agreement.

Review of Agreement in 1979

As the agreement is of unlimited duration, reviews will be made firstly in 1979 and secondly in 1984. This will provide an opportunity to examine the effectiveness of the agreement and to propose possible improvements.

Finally the agreement may be terminated twelve months after either side has handed in notification.

A N N E X A

PROCESSED AGRICULTURAL PRODUCTS REFERRED TO IN ARTICLE 9

CCT Heading N°	Description
ex 17.04	Sugar confectionery, not containing cocoa, but not including liquorice extract containing more than 10% by weight of sucrose but not containing other added substances.
18.06	Chocolate and other food preparations containing cocoa.
19.01	Malt extract.
19.02	Preparations of flour, meal, starch or malt extract, of a kind used as infant food or for dietetic or culinary purposes, containing less than 50% by weight of cocoa.
19.03	Macaroni, spaghetti and similar products.
19.04	Tapioca and sago; tapioca and sago substitutes obtained from potato or other starches.
19.05	Prepared foods obtained by the swelling or roasting of cereals or cereal products (puffed rice, cornflakes and similar products).
19.06	Communion wafers, empty cachets of a kind suitable for pharmaceutical use, sealing wafers, rice paper and similar products.
19.07	Bread, ships' biscuits and other ordinary bakers' wares, not containing added sugar, honey, eggs, fats, cheese or fruit.
19.08	Pastry, biscuits, cakes and other fine bakers' wares, whether or not containing cocoa in any proportion.
ex 21.01	Roasted chicory and other roasted coffee substitutes; extracts, essences and concentrates thereof: -excluding roasted chicory and extracts thereof
21.06	Natural yeasts (active or inactive); prepared baking powders: A. Active natural yeasts: II. Bakers' yeast
ex 21.07	Food preparations not elsewhere specified or included, containing sugar, dairy products, cereals or products based on cereals (1)

.../...

CCT Heading N°	Description
ex 22.02	<p>Lemonade, flavoured spa waters and flavoured aerated waters and other non-alcoholic beverages, not including fruit and vegetable juices falling within heading No. 20.07:</p> <p>-Containing milk or milk fats.</p>
29.04	<p>Acyclic alcohols and their halogenated, sulphonated, nitrated or nitrosated derivatives:</p> <p>C. Polyhydric alcohols:</p> <p> II. Mannitol</p> <p> III. Sorbitol</p>
35.05	<p>Dextrins and dextrin glues; soluble or roasted starches; starch glues</p>
38.12	<p>Prepared glazings, prepared dressings and prepared mordants, of a kind used in the textile, paper and leather or like industries:</p> <p>A. Prepared glazings and prepared dressings:</p> <p> I. With a basis of amylaceous substances</p>
38.19	<p>Chemical products and preparations of the chemical or allied industries (including those consisting of mixtures of natural products), not elsewhere specified or included; residual products of the chemical or allied industries, not elsewhere specified or included:</p> <p>T. Sorbitol, other than that falling within subheading 29.04 C III</p>

(1) This heading covers only products which, on importation into the Community, are subject to the duty laid down in the Common Customs Tariff, comprising an ad valorem duty constituting the fixed component and a variable component.

A N N E X B

EEC CONCESSIONS ON AGRICULTURAL IMPORTS FROM JORDAN

1. Customs duties on imports into the Community of the following products originating in Jordan shall be reduced by the rates indicated for each of them.

CCT Heading N°	Description	Rate of Reduction
05.04	Guts, bladders and stomachs of animals (other than fish), whole and pieces thereof	80%
07.01	Vegetables, fresh or chilled: F. Leguminous vegetables, shelled or unshelled: II. Beans (of the species Phaseolus): ex a) From 1 October to 30 June: -From 1 November to 30 April	60%
	exIII) Other: -Broad beans (<i>Vicia faba major</i>)	40%
	G. Carrots, turnips, salad beetroot, salsify, celeriac, radishes and similar edible roots: ex II. Carrots and turnips: -Carrots, from 1 January to 31 March	40%
	exH. Onions, shallots and garlic: -Onion, from 1 February to 30 April -Garlic, from 1 February to 31 May	50% 50%
	M. Tomatoes: exI. From 1 November to 14 May -From 1 December to 31 March	60%
	exS. Sweet peppers: -From 15 November to 30 April	40%
	exT. Others: -Aubergines, from 15 January to 30 April -Pumpkins or gourds and courgettes from 1 December to the last day of February	60% 60%

CCT Heading N°	Description	Rate of Reduction
07.05	Dried leguminous vegetables, shelled, whether or not skinned or split: B. Other (than for sowing)	80%
08.01	Dates, bananas, coconuts, Brazil nuts, cashew nuts, pineapples, avocados, man- goes, guavas and mangosteens, fresh or dried, shelled or not: H. Other (Mangoes, guavas and mangosteens)	40%
08.02	Citrus fruit, fresh or dried: exA. Oranges: -Fresh exB. Mandarins (including tangerines and satsumas); clementines, wil- kings and other similar citrus hybrids: -Fresh exC. Lemons: -Fresh D. Grapefruit exE. Other: -Limes	60% 60% 40% 80% 80%
ex 08.09	Other fruit, fresh: -Watermelons, from 1 April to 15 June	50%
09.04	Pepper of the genus 'Piper'; pimento of the genus 'Capsicum' or the genus 'Pimenta' A. Neither crushed nor ground: II. Pimento c) Other	80%
09.09	Seeds of anise, badian, fennel, corian- der, cumin, caraway and juniper	80%

A N N E X C

BASIC DATA ON JORDAN

Land Area	:	100,000 Km ²
Climate	:	Hot and dry summers with cool winters
Temperature	:	Hottest month - August 18 - 32° C Coldest month - January 4 - 12° C (at Amman 777 mt. altitude)
Time	:	2 hours ahead of GMT (summer time 3 hours ahead)
Monetary unit	:	1 Jordanian Dinar = 2.69 units of account or § 3.05 (31.6.77)

PEOPLE, RESOURCES AND EQUIPMENT

Population (1977)	:	2 million (East Bank) of which about 25 per cent are Palestinian refugees
Annual growth of population	:	3.3 per cent
Density	:	27 per km ²
Cities	:	Amman (capital) 600,000 Zarqa 200,000 Irbid 116,000
Labour force	:	800,000 of which 380,000 employed (1977)
National income per person	:	US §630 (1975)
Mineral reserves	:	Phosphate - 3,000 million tonnes
Petroleum refinery capacity	:	780,000 tonnes
Electrical capacity	:	410 million KWH
Port	:	Aqaba
Airports	:	Amman, Aqaba

PRODUCTION

Gross National Product (1975)	:	271.5 million JD
Growth in real terms (1970-77)	:	5 per cent per annum
Structure of GDP (1975)	:	Services - 70 % Industry - 20 % Agriculture - 10 %

A N N E X _ D

MAIN ECONOMIC SECTORS

1. AGRICULTURE

Agriculture contributes about 10 per cent to the GDP and employs about 20 per cent of the working population. Although exports are small there is a growing market for fresh fruit and vegetables in the Gulf States.

Production has fallen considerably since the occupation of the West Bank of the river Jordan which contained the most fertile land. Only 5 per cent of the land is cultivated on the East Bank mainly in the Jordan Valley and on the neighbouring plateaux. Irrigated farming has been developed in the Jordan Valley and in the Ghor region.

Farms are mostly small and fragmented: 63 per cent cover less than 5 acres and account for only 14 per cent of the cultivated land. Farms are mostly privately owned but in the last few years there has been a big increase in cooperative farming in the Irbid and Ghor areas.

Production is stagnating partly due to labour shortages, and Jordan is having to import increasing amounts of wheat, flour, dairy products and meat. By 1976 its farm trade deficit had widened to US \$200 million.

Fruit, vegetables and olives main exports

Fruit, vegetables and olives account for 95 per cent of export earnings. The main crops are wheat and barley, tomatoes, other vegetables, olives. The main markets are in the neighbouring Gulf States.

The biggest increase in production has been in chickens and eggs. Jordan became self-sufficient in these products in 1977. On the other hand stock-farming, which accounts for up to 25 per cent of agricultural income, has stagnated mainly due to the shortage of pasture and forage crops. Cereals production varies between 50-250,000 tons annually depending on rainfall.

Although efforts are being made in the 1976-80 Development Plan to expand production, Jordan's agricultural potential is slight and the main emphasis is being put on manufacturing and mining.

The table below shows the production of Jordan's main crops between 1972-75. While citrus fruit and lentil crops have grown most of the others have fallen sometimes quite dramatically e.g. wheat, barley, aubergines. Production of others such as tomatoes and olive has been erratic.

Production of Main Jordanian Crops 1972-75 ('000 tonnes)

Product	1972	1973	1974	1975
Wheat	211.3	50.4	244	51
Tomatoes	152.7	83.1	133	86
Other vegetables	93.4	65.0	55	-
Water melons	63	-	39.6	-
Barley	34	6.0	40	13
Olives	35	5.2	40.5	4.8
Aubergines	32.5	14.7	32	14.7
Lentils	22.4	4.8	29.5	-
Citrus fruit	21	15.4	33.6	-
Grapes	18.2	22.1	18	-
Cucumbers	17.7	10.4	15.7	7.3
Other fruit	15.8	5.2	17.2	-
Tobacco	0.7	1.1	0.9	-

Source: World Bank

2. MINING AND MANUFACTURING

World's 4th largest Phosphate Exporters

This sector employs 7.3 per cent of the work force but contributes 15.5 per cent of GDP and over 70 per cent of world exports. Annual average growth rate has been over 5 per cent due mainly to a dramatic rise in phosphate exports.

Jordan is the world's 4th largest exporter of raw phosphates (1.6 million t. 1976) though the EEC is not among its major markets. The value of phosphate exports has risen from \$10 million in 1973 to \$60 million in 1976 (48 per cent of total exports). Despite the drop in world phosphate prices they are still 150% above the 1973 level. Mining is managed by the State Controlled Jordan Phosphate company. The two main mines are at Rusayfar near Amman and at El Hassa, 100 km to the south of the capital (annual production capacity 2.8 million tonnes).

The possibility of mining potash on the banks of the Dead Sea and copper in the Fainan is being studied. Research is also being carried out into extracting uranium from phosphate.

Best prospects: phosphate, potash and food processing industries

In the manufacturing sector oil refining, cement production, metal working and cigarette manufacturing are carried out by a small number of

large firms. Most of the small firms are in textiles and leather.

The Jordanian government is trying to increase productivity by reducing tariff and non-tariff protection. Economic union with Syria, which is currently being implemented, should also stimulate Jordanian industry. Because of its small domestic market economic growth depends largely on exploiting the Arab Gulf export market. However Jordan will have to face increased competition from other Mediterranean countries. The best growth prospects are in the phosphate, potash and food processing industries. (see table next page)

3. TRANSPORT

The increase in phosphate exports, growth in transit trade and the need to develop the port of Aqaba after Syria closed its border in 1970 and the port of Beirut ceased to function as a result of the Lebanese civil war, has encouraged the Jordanian government to develop the transport infrastructure.

The railway was extended as far as Aqaba in 1975 and can now carry 1.6 million tonnes of phosphate annually from the Hassa mine as well as 200,000 tonnes of goods. The port has been expanded to handle 3.2 million tonnes of phosphate and 600,000 tonnes of goods annually.

4. TOURISM

The setback caused by the loss of the Holy Places in Jerusalem in 1967 has now been more than offset by the government's dynamic tourist promotion policy on the East Bank. The number of tourists topped 1 million in 1976 bringing \$180 million of foreign exchange. This compares with only 2,000 in 1969 and 620,000 in 1966. Most of the tourists come from the Middle East, only 20 per cent from Europe. New tourist attractions on the East Bank include Petra and Aqaba.

5. TRADE

Jordan's trade deficit has deteriorated rapidly in recent years from 83 million JD in 1973 to 260 million JD in 1976. (230 million US \$).

WORLD TRADE BALANCE 1973-76 (JD million)

	1973	1974	1975	1976
Imports CIF	107.80	155.68	232.94	297.89
EXPORTS FOB	24.15	49.75	48.89	66.20
BALANCE	-83.65	-105.93	-184.06	-231.60

A large amount of foreign aid plus workers' remittances from abroad has enabled Jordan to import far more than it exports and triple its trade deficit between 1973-76. Since 1967 Jordan has had to import large amounts of food, especially wheat and fruit and vegetables, which account for 20-70 per cent of total imports depending on the harvest. With the rapid growth of investment imports of capital goods have risen sharply since 1974 and now account for 32 per cent of total imports.

BREAKDOWN BY INDUSTRY OF VALUE ADDED OF THE MANUFACTURING SECTOR (INCLUDING WEST BANK)

	In thousand of dinars at current prices				% of total	
	1968	1970	1972	1974	1968	1974
- Foodstuffs and beverages	3,130	3,570	3,990	5,865	18.5	17.3
- Tobacco	890	560	560	1,928	5.3	5.7
- Textiles, clothing, footwear	2,430	1,790	2,500	4,560	14.4	13.5
- Oil refining	2,360	1,860	3,100	4,810	14.0	14.2
- Other chemicals	1,040	1,020	1,320	1,126	6.1	3.3
- Metal processing	1,270	2,236	2,590	4,835	7.5	14.3
- Other	5,790	4,904	7,700	10,763	34.2	31.7
T O T A L	16,910	15,940	21,860	33,887	100.0	100.0

Source: Jordanian Department of Statistics.

Growth of exports has been hindered by the troubles in the Middle East - Suez Canal closure 1967-75, Syrian Border closure 1970-72 and the Lebanese civil war. The Arab Gulf States take 42 per cent of Jordanian exports, mainly fruit and vegetables, cement and chemicals.

The main growth sector has been phosphates which have risen sixfold in value between 1973-76 to \$60 million and now account for 40 per cent of total exports.

The trade deficit is amply covered by remittances from Jordanians working in the Gulf States (\$240 million in 1976) and foreign aid (\$380 million in 1976).

A N N E X E

EEC FOOD AID

Food Aid is not covered by the Jordan-EEC Cooperation Agreement. However in order to meet Jordanian Food shortages the Community has provided food aid worth about 20.4 million ua between 1970-77 under its food aid programme.

In addition the United Nations Relief and Works Agency (UNRWA) distributed about 43.1 million ua of food aid to Palestinian refugees in Jordan between 1970-77.

EEC food aid is allocated according to several criteria such as the size of the food deficit, per capita gross national product and the extent of the balance of payments deficit.

FOOD AID (metric tonnes)

	Cereals		Powdered Milk		Butteroil	
	1970-77	1978	1970-77	1978	1970-77	1978
Jordan	97,280	25,000	6,870	1,500	5,080	2,800
UNRWA	151,450	40,000	5,400	700	10,000	-

* * *

A N N E X F

USEFUL ADDRESSES

EEC Embassies accredited to Jordan

Belgium: Beirut, Lebanon

Denmark: Nicosia, Cyprus

France: Amman

Germany, Federal Republic: Amman

Italy: Amman

Netherlands: Beirut, Lebanon

United Kingdom: Amman

FINANCE

Banking

National Banks

Agricultural Credit Corporation: P.O.B. 77, Amman

Arab Bank Ltd.: King Faisal St., P.O.B. 6B, Amman

Industrial Development Bank: Amman

Jordan National Bank: P.O.B. 1578, Amman

Foreign Banks

British Bank of the Middle East: P.O.B. 199, 99 Bishopsgate, London

Chase Manhattan Bank: P.O.B. 20191, Amman

Insurance

Jordan Insurance Co. Ltd.: P.O.B. 279, King Hussein St., Amman

United Insurance Co. Ltd.: P.O.B. 7521, Abujaber Bldg., King Faisal St.,
Amman

TRADE AND INDUSTRY

Chamber of Commerce

Amman Chamber of Commerce: P.O.B. 287, Amman

Chamber of Commerce, Irbid: P.O.B. 13, Amman

Chamber of Industry: P.O.B. 1800, Amman

Trade Unions

The General Federation of Jordanian Trade Unions: Wadi as-Sir Rd.
P.O.B. 1065, Amman

Phosphate

Jordan Phosphate Mines Co. Ltd.: P.O.B. 30, Amman.

TRANSPORT

Railway

Hedjaz Jordan Railway: P.O.B. 592, Amman.

Roads

Ministry of Public Works: Amman.

Royal Automobile Club of Jordan: P.O.B. 920, Jebel Lweibdeh, Amman.

Civil Aviation

Alia (The Royal Jordanian Airline): P.O.B. 302, Arab Insurance Bldg, First
Circle, Jabel Amman.

Arab Wings Co. Ltd.: P.O.B. 3038, Amman.

Jordan World Airlines: Subsidiary of Alia

Tourism

Ministry of Tourism and Antiquities: P.O.B 224, Amman.

Cultural Organisation

The Department of Culture and Arts: Ministry of Culture and Information
P.O.B. 6140, Amman.

* * *

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1. BELGIUM Fédération Nationale des Chambres de Commerce et d'Industrie de Belgique
40, Rue du Congrès - 1000 BRUXELLES
2. DENMARK Danish National Committee of International Chamber of Commerce
Børsen - 1217 COPENHAGEN K
3. FRANCE Chambre de Commerce de Paris
27, Avenue de Friedland - 75008 PARIS
4. GERMANY Deutsche Industrie und Handelstag
Adenauerallee 148 - 53 BONN
5. IRELAND Association of Chambers of Commerce of Ireland
7, Clare Street - DUBLIN 2
6. ITALY Unione Italiana delle Camere di Commercio Industria Artigianato e Agricoltura
Piazza Sallustio 21 - 00187 ROME
7. LUXEMBOURG Chambre de Commerce
8, Avenue de l'Arsenal - LUXEMBOURG
8. NETHERLANDS Nederlandse Organisatie voor de Internationale Kamer van Koophandel
Prinses Beatrixlaan 5 - THE HAGUE
9. UNITED KINGDOM Association of British Chambers of Commerce
68, Queen Street - LONDON E.C.4.

A N N E X G

ABREVIATIONS

- ACP : The African, Caribbean and Pacific States which are signatories to the Lomé Convention.
- CAP : Common Agricultural Policy
- CCT : Common Customs Tariff
- EUA : European Unit of Account
- EIB : European Investment Bank
- EEC : European Economic Community
- GATT : General Agreement on Tariffs and Trade
- GNP : Gross National Product
- GSP : Generalised Scheme of Preferences
- MCA : Monetary Compensatory Amount
- O.J. : Official Journal of the European Communities

GLOSSARY

- CAP : The Community's Agricultural Policy: is designed to rationalise agricultural production and establish a Community wide system of supports and import controls. It covers more than 95% of the Community's agricultural production.
- EUA : The monetary unit used by the Community in giving financial aid to Jordan. It is composed of a basket of currencies of the EEC's Nine Member States and reflects a weighted average of their market values.
- MCA : This takes account of basic price differences in intra-Community farm trade.
- Levies : These are equivalent to countervailing duties and are import duties designed to offset an export subsidy imposed by another country.
- Reference price : This applies to the prices of fruit and vegetable imports and is designed to protect Community producers. It acts as a guide to the Community's internal market price.

For copies of the EEC/Jordan Cooperation Agreement apply to DG X (Directorate General for Information) at the European Commission in Brussels.

PUBLICATIONS ABOUT 'DEVELOPMENT AID'

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