



## Jordan – Foreign Direct Investment

*Fact Sheet, Last update: June 2009*

- Increasing foreign direct investment (FDI) in Jordan has cumulated close to JD 1.376 billions in 2008 or an average of JD 344 million per quarter. 2009's first quarter generated 119 millions.
- UNCTAD report 2008 ranked Jordan as country with increasing potential for FDI due to natural resources and strategic position. Since the War in Iraq when Jordan was 146<sup>th</sup> out of 192 countries in FDI inflow, Jordan rose to 7<sup>th</sup> and 6<sup>th</sup> in the years 2007 and 2008.
- The two challenges Jordan faces are high unemployment (rose to 12.1% in Q1 2009) and widening trade deficit (rose to \$9.10 billions in 2008).
- The government initiative to increase FDI focuses on three domains; privatizing major state-owned companies, facilitating partnership-based companies which unite domestic and foreign investors and creating free trade zones with multiple demarcations.
- Factors that encourage investment in Jordan are: a politically stable and democratic regime at the convergence of three continents, free market economy with a tax benefit system, access to major international markets through free zones and industrial estates.

### Investment regulations - Investment Promotion Law guidelines

*The Investment Law (2003) and the Investment Promotion Law (IPL) (1995) regulate FDI in Jordan while government financially and administratively independent body Jordan Investment Board (JIB) leads investment procedures for exemptions and benefits. Under IPL, foreign and domestic firms have equal treatments in regards to tax benefits.*

- IPL provides tax exemptions on fixed assets (imported in the country within a three year period) and spare parts (if these are less than 15% of fixed assets value) during the creation and expansion of projects.
- There are benefits of exemption of income and social service taxes in the following sectors: industry, agriculture, tourism, hospitals, maritime transportation and railways, leisure/recreational compounds, exhibition centers, pipeline distribution for main natural resources. The Council of Ministers judges if beneficial to extend the number of years of these incentives for specific sectors and firms, and manages benefits for investment in sectors not listed.
- Foreign investors can have majority ownership in most sectors. Partial or 50 percent ownership is granted in aircraft and maritime vessel maintenance sectors. Foreign investors may not claim ownership in security and custom clearance services, land transportation and few others.
- The minimum investment starting capital is \$70, 000 or JD 50, 000.
- The IPL is updated yearly with sector specific and yearly regulation amendments; documents in English can be found at the Jordan Economic and Commerce Bureau's website [www.jordaneccb.org](http://www.jordaneccb.org) or JIB's website.

### Sector breakdown

*Jordan has six Qualifying Industrial Zones (QIZ) and one sub-zone. Goods manufactured in these zones and in Israel and West Bank/Gaza, can enter the US market duty and quota free. QIZs in Jordan proved to be successful; in an 8 years span between 1996 and 2004, imports to the United States increased from \$25 millions to \$1.09 billion and to \$ 1.235 billion in 2007. The Aqaba Special Economic Zone (ASEZ) with its low tax, duty-free and multi-sector development zone, comprises investments in almost all sectors and its industrial park employs over 2,500 workers.*

Jordan FDI concentrates in free trade zones, such as industrial and development zones. There are nine industrial estates that incorporate foreign and foreign-domestic firms operating in different sectors within each estate. Sahab estate contains over 160 foreign firms (24 Non-Arab and 139 Arab) with a total invested capital of JD 1014 million. Main investment activities focus in engineering (metallic and electric), food, plastic

and rubber, chemical and cotton and weaving industry sectors. Irbid JD 223.15 million invested capital (14 Non-Arab and 38 Non-Arab - Jordanian joint ventures) centers in the cotton and weaving industry, some pharmaceutical and chemical sector. The Kerak Estate, invested capital of 21.06 million, has 2 foreign firms (one Arab and one Non-Arab) and investments in food, paper and chemical industry sectors. Maan estate has one foreign operating, and Aqaba International Industrial Estate 11 foreign firms (4 Non-Arab, 7 Arab); investment capital estimates vary. The Aqaba Special Economic Zone (ASEZ) counts 224 companies register up to JD 254 million in 2006, and an additional \$ 7 billion in contract-value with foreign groups in services, tourism and maritime sectors in years to come.

Jordan is planning to open new industrial estates soon; one, Al-Muwaqar, will host a joint British-Saudi foreign firm.

## Portfolio investment

- Consequence of the privatization process, government participation in public shareholding decreased 250%, from 15% to a 6% by the end of 2008. After Initial Public Offering, the companies undergo through a gradual privatization process where strategic partnerships play a crucial role. Entirely privatized companies mainly belong to the financial sector (such as The Housing Bank, Cairo Amman Bank, Export & Finance Bank) or some, to the industrial sector (Jordan Worsted Mills Co., Jordan Ceramic Industries, etc.)

- Shares owned by non-residents increased in the construction and transportation sector, tourism, public services and utilities, as well as financial services in a five year span between 2003 and 2007

- The percentage of Non-Jordanian ownership in Shareholding Companies progress in all sector at a slow and steady rate; since 2003 until December 2008, the ownership increased form 38 to 49% of the market capitalization. In the last quarter, although net Non-Jordanian investment decreases, the value of non-Arab purchases increased by a small percentage (now at JD 18.9 million)

- Non-Jordanian ownership in companies by the end of April 2009 was 48.1% of the total market value; 33.9% for Arab investors, and 14.2% for non-Arab investors. As of Q1 2009, non-Jordanian ownership in the financial sector is 50.0%, in the services sector 33.9%, and in the industrial sector 52.3%.

- In Q1 2009, a quarter of the overall trading value, or JD 10022.1 millions, was share purchases by non-Jordanian investors; JD 69.1 million are non-Arab purchases and JD 953 million foreign Arab investors. The overall non-Jordanian investment of this first quarter noted a JD 3.9 million decrease.

- Large foreign non-Arab major share ownership are in firms: Jordan Cement Factories, Jordan Hostels and Tourism Company, Royal Jordanian air carrier ( and its various sub-companies such as Duty Free, Catering services, Air maintenance, etc. ,are all bought out by foreign investors), Arab Potash.

*Foreign Direct Investment as every form of foreign or foreign-domestic partnership driven investment, aims at generating employment, raise productivity, transfer skills and technology as well as enhance exports and contribute to the long-term economic growth of the world's developing countries.*

- *Jordan since 2000 increased considerably its legislation and openness to FDI inflow. After the accession to the World Trade Organization (WTO), Jordan placed into effect in 2001 the Jordan-US Free Trade Agreement (JUSFTA). The signature of the Bilateral Investment Treaty (BIT) came into effect shortly after and strengthened JUSFTA investment promotion activities.. Both treaties increase openness to investment, and BIT additionally provides highest standards of protection of the security of both foreign and domestic investment.*

Sources: [www.ase.com.jo](http://www.ase.com.jo) , [www.unctad.org](http://www.unctad.org) , [www.cbj.jo](http://www.cbj.jo) , [www.ase.jo](http://www.ase.jo) , <http://193.188.90.76:7001/JoTIIS/ControllerServlet> , [www.dos.gov.jo](http://www.dos.gov.jo) [http://www.jordaneqb.org/pdf/Investment\\_Promotion\\_Law.pdf](http://www.jordaneqb.org/pdf/Investment_Promotion_Law.pdf) , [www.jiec.com](http://www.jiec.com) , [www.mit.gov.jo](http://www.mit.gov.jo) , [www.state.gov.jo](http://www.state.gov.jo),