



Executive Summary

Since King Abdullah's 1999 ascension to the throne, Jordan has taken steps to encourage foreign investment and to develop an outward-oriented, market-based, and globally competitive economy. In particular, banking, information and communication technology, pharmaceuticals, tourism, and services sectors have all experienced key reforms in recent years. Foreign and domestic investment laws grant specific incentives to industry, agriculture, tourism, hospitals, transportation, energy, and water distribution. Jordan is also uniquely poised geopolitically to host large scale investment focused on the reconstruction of Iraq and other regional markets.

Jordan's economy improved in 2013, despite ongoing challenges both domestically and in the region. The government pursued economic reform measures as part of its IMF Stand-by Arrangement, receiving \$665 million in disbursements. Central Bank foreign reserves, supported by the transfer of loans and foreign grants, nearly doubled from \$6.6 billion at the end of 2012 to \$12.1 billion at the end of 2013. GDP grew at a rate of 2.7%, slightly higher than the 2.5% growth rate in 2012. Jordan's fiscal position continues to be burdened by the loss of Egyptian natural gas, resulting in the import of costlier fuels. However, the government was able to close its near-term financing gap with savings from reform measures, loans, and foreign assistance.

Despite multiple cabinet changes, the prime minister has remained in place since the fall of 2012, helping to guide the country through difficult economic reform efforts. However, many legislative reforms are still delayed. Jordan was not immune from the dramatic events taking place in the Arab region, and 2013 witnessed low-scale but persistent demonstrations. These demonstrations were well managed by Jordan's security forces, and the country remains politically stable. Notwithstanding the difficulties of the past three years and the challenges ahead for 2014, the general investment outlook for Jordan remains favorable and in several sectors advantageous.

1. Openness to, and Restrictions Upon, Foreign Investment

Jordan is largely open to foreign investment. Jordan acceded to the World Trade Organization (WTO) in April 2000. In addition, the U.S.-Jordan Free Trade Area Agreement (FTA) entered into force in December 2001 and came into full effect in January 2010. The United States and Jordan entered into a Bilateral Investment Treaty in 2003.

In 2012, the United States and Jordan agreed to Statements of Principles for International Investment and for Information and Communication Technology Services, and a Trade and Investment Partnership Bilateral Action Plan, each of which is designed to increase transparency, openness, and governmental and private sector cooperation. The two parties also began discussions on a Customs Administration and Trade Facilitation Agreement. The government of Jordan underwent an investment policy review by the Organization for Economic Cooperation

and Development (OECD) and in November 2013 subscribed to the OECD Declaration on International Investment and Multinational Enterprises.

Local and foreign investments are screened by the Jordan Investment Board (JIB). A draft investment promotion law is currently pending parliamentary review. The draft law proposes consolidating three existing entities – the Jordan Investment Board and the two entities that oversee investment zones, the Jordanian Development Zones Commission and the Free Zones Corporation – into a new entity called the “Higher Investment Commission”. The draft law also proposes to provide a clear statement of investors’ rights and a legal framework for the "one-stop shop" located at the JIB.

With respect to ownership and participation in Jordan's major economic sectors, there is no systematic or legal discrimination against foreign participation other than the restrictions outlined below. In fact, many Jordanian businesses actively seek engagement with foreign partners as a way to increase their competitiveness and access other international markets. Governmental efforts have made Jordan's official investment climate welcoming; however, some large U.S. investors have reported "hidden costs" due to bureaucratic red tape, vague regulations, and conflicting jurisdictions.

Jordan's current investment laws treat foreign and local investors equally, with the following exceptions:

- Ownership of periodical publications is restricted to Jordanian citizens or entities wholly-owned by Jordanians.
- Foreigners are prohibited from wholly or partially owning investigation and security services, sports clubs (with the exception of health clubs), stone quarrying operations for construction purposes, customs clearance services, or land transportation services. The Cabinet, however, may approve foreign ownership of projects in these sectors upon the recommendation of the Investment Promotion Committee, comprised of senior officials from the Ministry of Industry and Trade, Income Tax Department, Customs Department, the private sector, and the Jordan Investment Board. To qualify for exemption, projects have to be deemed by the Prime Ministry as highly valuable to the national economy and must employ a large number of Jordanians.
- Investors are limited to 50 percent ownership in a number of businesses and services, including printing/publishing companies and aircraft or maritime vessel maintenance and repair services. The most up-to-date listing of limitations on investments is available in the FTA Annex 3.1 and may be found at <http://www.ustr.gov/trade-agreements/free-trade-agreements/jordan-fta/final-text>.

Over the last decade, the Jordanian government has engaged in a wide scale privatization program. Jordan's energy sector has witnessed the privatization of two distribution companies – the Electricity Distribution Company (EDCO) and the Irbid District Electricity Company (IDECO), and one generation company, the Central Electricity Generating Company (CEGCO). The Amman East Power Plant was built and is owned and operated by AES Jordan PSC, a consortium of AES Oasis (a subsidiary of U.S.-based AES Corporation) and Japan-based Mitsui

and Company. AES Jordan PSC operates the plant on a 25-year build-own-operate (BOO) basis. The \$300 million plant project was financed jointly by the U.S. Overseas Private Investment Corporation (OPIC), Japan Bank of International Cooperation (JBIC), and the Sumitomo Banking Corporation (SMBC), with International Bank for Reconstruction and Development (IBRD) risk guarantees. AES Jordan PSC embarked on an expansion plan expanding its current investment in Jordan through building an additional 250MW power plant near its existing facility. The project is scheduled to come online in July 2014 with an estimated cost of \$350 million financed by the shareholders (\$80 million), OPIC (\$170 million), and the European Bank Reconstruction and Development (EBRD) (\$100 million).

The government of Jordan concluded the ten year privatization process for Royal Jordanian Airlines (RJ) in 2008. With the completion of RJ's initial public offering, the role of the Jordan Civil Aviation Regulatory Commission consequentially evolved with a greater separation between regulation and aviation management. Management of Amman's Queen Alia International Airport was fully privatized during the same period. A privately managed build-operate-transfer (BOT) airport expansion is underway, with the first phase completed in March 2013 and completion of the second phase expected by 2017. The next phase of the project hopes to grow capacity from a current level of approximately nine million passengers per year—an increase from the pre-project levels of 3.5 million—to 12 million per year. The few remaining government assets not privatized, including Jordan Silos and Supply, elicit little private sector interest. The majority of future projects in Jordan are expected to be public-private partnerships (PPP) rather than pure privatization deals.

The Executive Privatization Commission will be dissolved upon the passing of the proposed Public Private Partnership Law. The draft law is currently at the legislative and opinion bureau, the first stage of the legislative process in Jordan. The commission currently has a number of important projects for consideration, including the establishment of a medical and industrial waste project. Jordan is also seeking investors for a passenger and cargo rail system, the postal system, the expansion and upgrading of the nation's sole refinery, large scale water desalination, and other projects. In 2012, Jordan passed a Renewable Energy and Energy Efficiency Law to encourage investments in this vital sector. A draft Energy and Minerals Law is currently under parliamentary review. The new law promises to open the hydrocarbon sector to local and foreign investors, and establish a new Energy and Minerals Commission linked to the Ministry of Energy and Mineral Resources. The new commission will have the existing regulatory function of the Jordan Atomic Energy Regulatory Commission and the National Resource Authority. The Jordanian constitution establishes the judiciary as one of three separate and independent branches of government. Jordanian commercial laws do not distinguish between Jordanian and non-Jordanian investors. American laws and judicial orders have no legal authority in Jordan. Rulings by U.S. courts or other international arbitration committees, however, can be upheld through the successful filing in Jordanian courts of an “enforcement of ruling motion”. Plaintiffs complain of backlogs and subsequent delays in legal proceedings. The same holds true with regard to Jordanian laws and decisions in the United States. Currently, the following laws and regulations govern investments in Jordan: the Companies Law, the Investment Promotion Law, the Investment Law and Regulation for the year 2000, and Regulating Non-Jordanian Investments Regulation.

Jordan ranked 119 out of 189 countries on the World Bank's 2014 Doing Business Report, unchanged from its 2013 ranking. Jordan ranked 11th in the MENA region, down one spot from 2013, behind United Arab Emirates, Saudi Arabia, Bahrain, Oman, Qatar, Tunisia, Morocco, Malta, Kuwait, and Lebanon. Since 2010, Jordan has improved on several areas key to doing business:

- The minimum capital requirement for starting a business has been reduced from \$1,410 to \$1.41.
- Jordan now has in place a single reception service for company registration.
- Cross border trade has been facilitated through the implementation of a risk-assessment inspection regime for preapproved traders, reducing to 30% the number of containers subject to physical inspection.

The implementation of new software allowing online submissions of customs declarations and the introduction of X-ray scanners for risk management systems have reduced the customs clearance time to two days for exporters and three days for importers.

Measure	Year	Rank
Transparency International Corruption Index	2013	66/177
Heritage Economic Freedom	2013	33/177
World Bank Doing Business	2013	119/189

2. Conversion and Transfer Policies

Jordan's liberal foreign exchange law entitles foreigners to remit abroad all returns, profits, and proceeds arising from the liquidation of investment projects. Non-Jordanian workers are permitted to transfer their salaries and compensation abroad.

The Jordanian Dinar (JD) is fully convertible for all commercial and capital transactions. Since 1995, the JD has been pegged to the U.S. dollar at an exchange rate of approximately JD1 to \$1.41.

The Central Bank of Jordan (CBJ) supervises and licenses currency exchange businesses. These entities are exempt from paying commissions on exchange transactions and therefore enjoy a competitive edge over banks.

Other foreign exchange regulations include:

- Non-residents are allowed to open bank accounts in foreign currencies. These accounts are exempted from all transfer-related commission fees charged by the CBJ.
- Banks are permitted to purchase unlimited amounts of foreign currency from their clients in exchange for JDs on a forward basis. Banks are permitted to sell foreign currencies in exchange for JDs on a forward basis for the purpose of covering the value of imports.
- There is no restriction on the amount of foreign currency that residents may hold in bank accounts, and there is no ceiling on the amount residents may transfer abroad. Banks do not

require prior CBJ approval for a transfer of funds, including investment-related transfers. However, stricter measures are now in place to monitor wire transfers in accordance with Jordan's efforts to deter illicit cash flows.

3. Expropriation and Compensation

Jordanian law stipulates that expropriation is prohibited unless deemed in the public interest. In cases of expropriation, the law also mandates the provision of fair compensation to the investor in convertible currency.

4. Dispute Settlement

Under Jordanian law, foreign investors may seek third party arbitration or an internationally recognized settlement of disputes. The Jordanian government recognizes decisions issued by the International Center for the Settlement of Investment Disputes (ICSID), of which Jordan is a member state. A small number of cases between mostly foreign investors and the Jordanian government have been brought before ICSID tribunals. Jordan is also a member of the 1958 New York Convention on the recognition and enforcement of foreign arbitral awards. In cases where the government (or its agencies) is a party to the dispute, Jordan generally prefers settlement in local courts if an out-of-court settlement is not forthcoming. Jordan abides by WTO dispute settlement mechanisms, and dispute settlement mechanisms under the U.S.-Jordan FTA are consistent with WTO commitments. Article IX of the United States-Jordan Bilateral Investment Treaty (BIT) establishes procedures for dispute settlements between Jordanians and Americans.

The Commercial Code, Civil Code, and Companies Law collectively govern bankruptcy and insolvency. A temporary bankruptcy law was enacted in 2002 and remains in effect. A new Insolvency and Bankruptcy draft law is currently pending Parliamentary review.

5. Performance Requirements and Incentives

Investment and commercial laws in Jordan do not contain any trade-restrictive investment measures and have generally been in compliance with the WTO's Trade-Related Investment Measures (TRIMS). Investment incentives take the form of income tax and custom duties exemptions which are granted to both Jordanian and foreign investors. A new draft investment law is currently under parliamentary review.

The country is divided into three development areas: Zones A, B, and C. Investments in Zone C, the least developed areas of Jordan, receive the highest level of incentives while those in Zone A receive the lowest level. All agricultural, maritime, transport and railway investments are classified as Zone C, irrespective of location. Hotel and tourism-related projects along the Dead Sea coast, leisure and recreational compounds, and convention and exhibition centers receive Zone A designations. Qualifying Industrial Zones (QIZs) are zoned according to their geographical location unless granted an exemption. The three-zone classification scheme does not apply to nature reserves and environmental protection areas.

Under the current investment laws, the Investment Promotion Law Number 16 (1995) and subsequent amendments, and the Temporary Investment Law Number 68 (2003), the Investment Promotion Committee, which falls under Jordan Investment Board, may offer the following incentives:

- Exemption from custom duties, general sales tax and social services taxes for projects and on capital goods for the project if delivered within three year, from Investment Promotion Committee's approval.
- Exemption from duties and taxes on imported spare parts related to specific projects, provided that their value does not exceed 15 percent of the value of the fixed assets requiring spare parts.
- Exemptions from duties and taxes on increases in the value of imported capital goods for the project if the increases result from higher freight charges or changes in the exchange rate.
- Two-year exemptions on income and social services taxes for industrial projects.
- Lifetime exemptions on property taxes for industrial projects.
- Exemptions from duties and taxes for machines and equipment used for the expansion and modernization of a project provided they result in at least a 25 percent increase in production capacity.
- Exemptions from duties and taxes for hotel and hospital furniture if the supplies are required for modernization and renewal.
- Exemptions from income and social service taxes on salaries and allowances payable to non-Jordanian employees.
- Exemptions from duties and taxes on goods imported to and/or exported from free zones, with the exception of goods released to the domestic market.

Free transfer of capital invested in free zones, including profits, is permitted. Additional incentives are provided for projects under the Industrial Estate Corporation, Development Zones Commission and the Aqaba Special Economic Zone. For further details please visit:

- Jordan Investment Board (<http://www.jordaninvestment.com>)
- Development Zones Commission (<http://www.dfzc.jo>)
- Jordan Industrial Estate Corporation (<http://www.jiec.com>)
- Aqaba Special Economic Zone (<http://www.aqabazone.com/>)

Exporters are granted the following incentives:

- Net profits generated from most export revenues are fully exempt from income tax. Exceptions include fertilizer, phosphate, and potash exports, in addition to exports governed by specific trade protocols and foreign debt repayment schemes. Under a WTO agreement, the exemptions are valid until the end of 2015.
- Approximately 95 percent of foreign inputs used in the production of exports are exempt from customs duties and all additional import fees on a drawback basis.

6. Right to Private Ownership and Establishment

Investment and property ownership laws permit domestic and foreign entities to establish and own businesses and to engage in remunerative activities. Foreign companies may open regional and branch offices; branch offices may carry out full business activities, while regional offices may serve as liaisons between head offices and Jordanian or regional clients. The Ministry of Industry and Trade manages the government's policy on the setting up of regional and branch offices.

No foreign firm may import goods without appointing an agent registered in Jordan; the agent may be a branch office or a wholly-owned subsidiary of the foreign firm. The agent's connection to the foreign company must be direct, without a sub-agent or intermediary. The Commercial Agents and Intermediaries Law governs the contract between foreign firms and commercial agents. Private foreign entities, whether licensed under sole foreign ownership or as a joint venture, compete on an equal basis with local companies.

Foreign nationals and firms are permitted to own or lease property in Jordan for investment purposes and are allowed one residence for personal use, provided that their home country permits reciprocal property ownership rights for Jordanians. Depending on the size and location of the property, the Lands and Surveys Department, the Ministry of Finance, or the Cabinet are the authorities that approve foreign ownership of land and property, which must be developed within five years after the date of approval.

7. Protection of Property Rights

Interest in property (movable and real) is recognized, enforced, and recorded through reliable legal processes and registries. The legal system facilitates and protects the acquisition and disposition of property rights.

Jordan has passed several laws in compliance with international commitments to the protection of intellectual property rights (IPR). Laws consistent with "Trade Related Aspects of Intellectual Property Rights" (TRIPS) now protect trade secrets, plant varieties, and semiconductor chip designs. The Ministry of Culture's National Library Department is responsible for registering copyrights, and patents are registered with the Registrar of Patents and Trademarks at the Ministry of Industry and Trade. Jordan is a signatory to the Patent Cooperation Treaty and the Madrid Protocol, and accordingly, amended its patent and trademark laws in 2007 to enable ratification of the agreements. Jordan is a signatory to World Intellectual Property Organization treaties on both copyrights and on performances and phonographs, and it has been developing updated laws for copyrights, trademark standards, and customs regulations to meet international

standards. Jordanian firms are able to seek joint ventures and licensing agreements with multinational partners.

Jordan's record on IPR enforcement has improved in recent years, but more effective enforcement mechanisms and legal procedures are still needed. As a result, the government's record on IPR protection remains mixed. A large portion of videos and software sold in the marketplace continues to consist of pirated goods. Enforcement action against audio/video and software piracy is growing in frequency and improving in its targeting capability, resulting in the first jail sentence in 2007 for software piracy in Jordan. Over the past decade, 4818 violations of Jordan's current copyright law were referred to the judiciary, including 462 cases in 2013. Additionally, 28 trademarks violation cases were referred to court during the past year. For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>. If you experience IP theft, the embassy publishes a list of local lawyers who may be able to assist you: <http://photos.state.gov/libraries/jordan/231771/PDFs/List%20of%20Attorneys%20-%20June%202012.pdf>.

Embassy point of contact: Shaden Majali MajaliSA@state.gov

8. Transparency of the Regulatory System

The government is gradually implementing policies to improve competition and foster transparency. These reforms aim to change an existing system influenced in the past by family affiliations and business ties. Although the Jordan Investment Board (JIB) has worked to streamline the process, red tape and opaque procedures, particularly at the local government level, still present problems for foreign and domestic investors. A draft Competition Law (similar to the Antitrust Law in the U.S.) to modernize the Competition Law of 2004 is currently under parliamentary review. The new law aims to strengthen the local economic environment and attract foreign investment by providing incentives to improve market competitiveness, protect small and medium enterprises from restrictive anticompetitive practices, and give consumers access to high quality products at competitive prices. The Competition Directorate at the Ministry of Industry and Trade conducts market research, examines complaints, and reports violators to the judicial system. The government is continuing its e-government promotion strategy and pledging to make its services, regulations, and procurement procedures more accessible and transparent. Implementation to date has been slow, but programs to register businesses, file complaints, and view tax records, existing and pending legislation, and traffic violations online are now available.

9. Efficient Capital Markets and Portfolio Investment

The three key capital market institutions are the regulator, the Jordan Securities Commission (JSC); the exchange, the Amman Stock Exchange (ASE); and the custodian for all transaction contracts, clearings, and settlements, the Securities Depository Center (SDC). The 2002 Securities Law brought the law in line with international best practices. In 2011, the ASE modernized its technical infrastructure, enhancing the dissemination of information. It launched the Internet Trading Service in 2010, providing an opportunity for investors to engage in

securities trading regardless of geographic location. Investors are permitted to open margin accounts and to engage in short-selling. Commercial banks hold securities for their clients in a sub-account format.

In spite of recent reforms and technological advances, the ASE suffers from intermittent liquidity problems and decreased trading activity. The bourse remains prone to speculative movements. The ASE's market capitalization has grown and shrunk rapidly and repeatedly since 2003. The ASE price index increased by 5.5%, from 1958 points in 2012 to 2066 at the end of 2013. Trading volume increased by 9% to 2.6 billion shares from 2.4 billion shares in 2012. The number of listed companies dropped to 240 companies at the end of 2013 compared to 243 at the end of 2012. The market capitalization of listed shares at the ASE amounted to \$25.7 billion, equaling 83% of GDP.

Key ASE Market Indicators

	2013	2012	2011
Market Capitalization (USD billion)	25.7	27.0	27.9
Market Capitalization as percent of GDP	83	93.5	102.7
Index (points)	2066	1958	1995
Number of Shares Traded (billion)	2.7	2.4	4.1
Number of Brokerage Firms	63	62	65
Number of Companies on ASE	240	243	247
Percentage of Shares Owned:			
Jordanians	50.1	48.3	53
Non Jordanians	49.9	51.7	47

Source: Amman Stock Exchange

The Central Bank of Jordan (CBJ) conducts regular government debt auctions of differing maturities on behalf of the Ministry of Finance. Treasury auctions traditionally take place on a monthly or biweekly basis, depending on maturity. The government issues development bonds as necessary. Treasury bonds in excess of \$6 billion and Treasury bills in excess of \$720 million were issued in the local market in 2013.

Foreign investors are allowed to participate in auctions and to purchase government securities through banks. Jordan issued its first and only bonds on international markets in 2010 with the fully subscribed offering of \$750 million in five-year bonds. The bonds were sold to approximately 220 international investors and carried a fixed annual interest rate of 3.875 percent, payable every six months.

In August 2012, the International Monetary Fund (IMF) approved a \$2.1 billion Stand-By Arrangement (SBA) to assist Jordan in addressing fiscal and external challenges and foster growth. Tranches of \$385 million and \$280 million were transferred by the IMF to the government of Jordan in April and October 2013, respectively, bringing total disbursements since August 2012 to just over \$1 billion. As part of this effort, the authorities further reduced subsidies in 2013 by increasing electricity prices in August and January 2014. The Jordanian government plans to continue with this policy for electricity and water prices.

In October 2013, Jordan issued a \$1.25 billion, dollar-denominated Eurobond on the international market, guaranteed by the United States government and priced at a coupon rate of 2.053 percent. The issuance was oversubscribed by 180 percent. Jordan plans to issue another dollar-denominated Eurobond worth \$1 billion in 2014, again guaranteed by the United States government. In 2012, the Jordanian parliament also approved the legal framework for issuing *sukuk*, or Islamic bonds, although no bonds have been issued to date.

The corporate bond market remains underdeveloped and continues to be overshadowed by traditional direct lending, primarily due to the absence of proper mechanisms for corporate debt creation. A few banks, however, are introducing new products and facilitating corporate bond issuances. The government of Jordan guaranteed \$1.4 billion of corporate bonds and bills in 2013 to fund activities related to the National Electric Power Company and the Housing and Urban Development Corporation.

Due to strict regulations on lending, particularly mortgage lending, and limited integration with global financial markets, Jordanian banks were reasonably resilient to international shocks. The banking sector's indicators remain strong; banks continue to be profitable and well-capitalized, and deposits are still the major funding base. Liquidity ratios and provisioning remain high. Non-Performing Loan ratios increased modestly over the past few years. The CBJ in December 2010 directed Jordanian banks to maintain a minimum JD100 million in capital and raised the requirement for foreign banks to JD50 million. Jordan does not distinguish between investment banks and commercial banks. Jordan has 26 banks in total, including commercial banks, Islamic banks, and foreign bank branches.

Banks in Jordan offer loans, discounted bills, and overdraft facilities. The CBJ permits banks to extend loans and credit facilities in foreign currency but only for exporting purposes. In such cases, it requires debt repayment to be in the same foreign currency. A number of banks have offshore mutual funds to avoid Jordanian taxes.

The Banking Law protects depositors' interests, diminishes money market risk, guards against the concentration of lending, and includes articles on electronic banking practices and money laundering. The Credit Information Law was passed as a temporary law in 2010 to lay the groundwork for the eventual establishment of a Credit Bureau to be supervised by the Central Bank of Jordan.

The CBJ set up an independent Deposit Insurance Corporation (DIC) in 2000 that traditionally has insured deposits of up to JD10,000 (\$14,000). DIC currently insures deposits up to JD50,000 (approximately \$71,000) and is expected to maintain the guarantee through the end of 2014 at a minimum. The DIC also acts as the liquidator of banks as directed by the CBJ. The CBJ established a credit bureau for bounced checks in 2001 which requires banks to report the names of account holders with bounced checks. Following the report of one bounced check, the CBJ circulates the names of the account holders to all banks with recommendations to carefully evaluate the account holders' access to banking services.

In 2010, Jordan amended its existing Anti-Money Laundering Law to comply with Middle East/North Africa Financial Action Task Force (MENAFATF) standards. Among other things, the 2010 amendments extended the range of predicate offenses to include certain crimes that would otherwise qualify as misdemeanors, whether those offenses are committed in Jordan or abroad. The amendments also created a legal framework to address terrorist financing. As such, the law was renamed the Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Law, and the existing financial intelligence unit renamed the AML/CFT Unit. The CBJ as well as other financial sector regulators are implementing the AML/CFT Law further through the issuance of circulars and other regulations under their own authority.

In a highly publicized November 2012 case, Mohammed al-Dahabi, a former head of Jordan's General Intelligence Directorate from 2005 to 2008, was convicted of embezzlement of public funds, money laundering, and abuse of public office. The courts handed him a maximum prison sentence of 13 years. The courts also fined him nearly \$30 million and ordered the return of \$34 million of embezzled funds. Al-Dhabi's lawyers have appealed the conviction to the Court of Appeal.

In a high-profile June 2013 corruption case, a Jordanian criminal court sentenced in absentia Walid al-Kurdi, former CEO of the Jordan Phosphate Mines Company and the King's uncle by marriage, to 37 years in prison and more than \$400 million in fines after finding him guilty of illegally profiting from his position. Al-Kurdi was also found guilty of three counts of shipping fraud. Jordan's Anti-Corruption Commission seized al-Kurdi's assets in December 2012. The court said al-Kurdi, who is believed to be living in the United Kingdom, would be granted a retrial if he returns to Jordan.

There are a number of internationally recognized accounting and auditing firms in Jordan. The government's accounting and auditing regulations are consistent with international standards and are internationally recognized.

10. Competition from State-Owned Enterprises (SOEs)

A number of SOEs exist in Jordan, such as the National Electrical Power Company (NEPCO), the National Food Security Company, and the Yarmouk Water Company. These companies exercise delegated governmental powers and operate in fields that are not yet open for investment, such as managing the transmission and distribution of electrical power. The government supports these companies as necessary. As an example, the government has issued and guaranteed corporate bonds for NEPCO since 2011 to ensure continuous power supply for the country.

SOEs compete under largely equal terms with private enterprises with respect to access to markets, credit, and other business operations. The laws do not provide preferential treatment to SOEs and they are held accountable by their Board of Directors, typically chaired by the sector-relevant Minister and the Audit Bureau.

11. Corporate Social Responsibility

There is general awareness of corporate social responsibility (CSR) among both manufacturers and consumers in Jordan, with many local and multinational companies voluntarily developing and adopting CSR programs.

12. Political Violence

The threat of terrorism remains high in Jordan. Transnational terrorist groups, as well as less sophisticated local elements, have the capability to plan and implement attacks in Jordan and have carried out a number of atrocities over the last ten years. The Jordanian security forces, however, have demonstrated high levels of professionalism in maintaining public security, containing numerous demonstrations, and preventing terrorist attacks. Jordan has not been immune from the tumult of region wide Arab Spring protests, and the potential for politically motivated violence remains. Visitors should consult current State Department public announcements at www.travel.state.gov before traveling to Jordan.

13. Corruption

Jordanian law defines corruption as any act that violates official duties, all acts related to favoritism and nepotism that could deprive others from their legitimate rights, economic crimes, and misuse of power. The use of family, business and other personal connections to advance personal business interests is endemic and regarded by many Jordanians as simply part of the culture and part of doing business. In 2006, Parliament approved a Financial Disclosure Law which officially required public office holders and specified government officials to declare their assets. Parliament also enacted an Anti-Corruption Law in 2006 that created a commission to investigate allegations of corruption. Currently, the commission has referred a number of high profile corruption cases to the judiciary for investigation. In Transparency International's 2013 Corruption Perceptions Index, Jordan ranked 66 out of 177 countries.

14. Bilateral Investment Agreements

The U.S. Congress enacted the Qualifying Industrial Zone (QIZ) initiative in 1996 to support the Middle East peace process. Goods produced in the 13 designated QIZs in Jordan can be imported into the United States tariff and quota free under the agreement if 35 percent of the product's content comes from the QIZ, Israel, and the West Bank/Gaza. Of that 35 percent, a minimum 11.7 percent of value must be added in the QIZ, eight percent in Israel, and 15.3 percent in a Jordanian QIZ, Israel, or the West Bank/Gaza. The QIZs have attracted over \$1 billion dollars in capital investments, generated around \$9.2 billion dollars in exports to the U.S. between 2006 and 2013, and currently employs nearly 47,000 workers; about one-quarter of whom are Jordanians. The bulk of QIZ exports continue to be garments.

The U.S.-Jordan FTA, which entered into force in 2001 and came into full effect in January 2010, does not supersede or eliminate the QIZ initiative. Nevertheless, exports under QIZ requirements considerably shrank as exporters took advantage of the FTA's broader mandate. FTA rules of origin simply require 35 percent Jordanian content without other restrictions. Jordan's exports to the United States increased by 9.3% from 2012 to 2013 under the FTA to \$1.1 billion. A Bilateral Investment Treaty between Jordan and the United States entered into

force in 2003. The agreement provides reciprocal protection of Jordanian and U.S. individual and corporate investments.

While the U.S. remains one of Jordan's top trading partners, Jordan maintains an active trade relationship with neighboring countries and has been actively pursuing enhanced trade arrangements globally. Jordan is a member of the Greater Arab Free Trade Area (GAFTA), which has been in force since 1998. The GAFTA reached full trade liberalization of goods in 2005 through full exemption of customs duties and charges for all 17 Arab member states, with the exception of gradual reductions for Sudan and Yemen. Jordan has also signed trade preference agreements and bilateral free trade agreements with various Arab neighbors, including Egypt, Syria, Morocco, Tunisia, the UAE, Algeria, Lebanon, the Palestinian Authority, Kuwait, Sudan, and Bahrain.

An economic association agreement between Jordan and the European Union (EU) entered into force in 2002 to establish free trade over a twelve-year period. This agreement calls for the free movement of capital as well as cooperation on development and political issues. Jordan also signed a Free Trade Area Agreement in 2001 with the European Free Trade Association (EFTA) states (Iceland, Liechtenstein, Norway and Switzerland); this agreement seeks complete trade liberalization by 2014.

Jordan signed a Free Trade Agreement with Singapore in 2004. In addition to enhancing bilateral trade ties, the agreement aimed to create new export opportunities for Jordanian products worldwide through the possibility of diagonal accumulation of origin with countries that have concluded free trade agreements with both Jordan and Singapore. That same year Jordan completed the Agadir trade agreement with Egypt, Morocco, and Tunisia, and upgraded its trade agreement with Israel to take advantage of accumulation of content provisions in the European Union's Pan Euro-Mediterranean trade rules of origin. Jordan signed a Free Trade Agreement with Canada in 2009 which came into effect in October 2012. The FTA with Canada eliminates all non-agricultural tariffs and most agricultural tariffs. A similar agreement with Turkey was also signed in November 2009 and entered into effect on March 1, 2011. Jordan has also signed with Iraq a number of Memoranda of Understanding for bilateral cooperation in various sectors such as education, health, energy, transportation, and trade. The two countries have established a special free zone area at the Iraqi border to serve as a hub for industry and trade between the two countries.

15. OPIC and Other Investment Insurance Programs

Investments in Jordan are eligible for Overseas Private Investment Corporation (OPIC) insurance and private financing. All eligible projects require a minimum of 25 percent U.S. equity. Over the past four years, OPIC backed significant investments in Jordanian private equity ventures and in mortgage financing. In December 2012, OPIC announced the financing of a \$170 million, 240-megawatt electrical power plant construction project in Jordan. In 2011, OPIC signed a \$250 million loan guarantee program to support small and medium sized enterprises (SMEs) in Jordan. OPIC previously extended a \$250 million loan to support the \$1 billion Disi water project to bring water to Amman from the Disi aquifer in the south.

Jordan is a member of the Multilateral Investment Guarantee Agency (MIGA), a World Bank agency which guarantees investment against non-commercial risks such as civil war, nationalization, and policy changes. The program covers investments in Jordan irrespective of the investor's nationality in addition to Jordanian investments abroad.

16. Labor

The population growth rate is about 2.2 percent a year, according to a 2012 Jordan Department of Statistics estimate. As of year-end 2013, the population is estimated by the Department of Statistics at 6.56 million. Nearly 63 percent of the population is estimated to be under the age of 30. Literacy rates are approximately 96.4 percent for men and 90.1 percent for women. Jordan has a generally well-educated labor force of about 1.8 million. According to the Department of Statistics, official unemployment in 2013 averaged 12.6 percent, a slight decline from the 12.15 percent 2012 average.

Of the 1.8 million people in the labor force, roughly 350,000 are registered foreign workers. However, unofficial indicators speculate that unregistered foreign workers are nearly double this number. With the exception of the approximately 35,000 who work in the QIZs as textile workers, most foreign workers are employed in construction, agriculture, and domestic service. The Ministry of Labor regulates foreign worker licensing, licensing fees, prohibited sectors, and employer liability. Along with the Ministry of Interior, the Ministry of Labor is responsible for approving the hiring of professional foreign workers by private businesses. Non-citizens are legally permitted to join unions, but do not enjoy the privilege of forming unions themselves or holding leadership positions in existing unions.

Labor unions serve primarily as intermediaries between workers and the Ministry of Labor and may engage in collective bargaining on behalf of workers. There are 17 recognized unions in Jordan, and they are all members of the General Federation of Jordanian Trade Unions. Estimates put union membership at less than 10 percent of the labor force. Additionally, there are 40 professional associations active in Jordan, including many that have mandatory membership. According to official figures, about 30 percent of the total labor force, including government workers, belongs to either a union or a professional association. The law does not require employers to include retirement plans in employment packages. However, if the employer agreed to provide retirement benefits when the worker was contracted, the employer must fulfill that commitment.

The government has been reforming and strengthening its legal framework and labor inspections since 2006. It amended its labor law in 2008 to expand coverage to domestic workers, formalize a tripartite Labor Affairs Committee, increase fines for violations of the labor law, and include sexual harassment provisions. Over the past few years, the Ministry expanded efforts to investigate allegations of child labor and to monitor hazardous working conditions in the country. In the past, Ministry of Labor inspections identified problems at some QIZ factories related to delayed payment of wages, length of overtime, and physical abuse of workers. The Better Work Jordan program was launched in 2008 as a five-year joint project between the Ministry of Labor, the International Labor Organization (ILO), and the International Finance Corporation to improve garment sector labor standards and conditions and raise compliance

levels through public reporting and technical assistance. The Ministry of Labor made the program mandatory for all factories and subcontracting factories exporting to the U.S. or Israel as of December 2010.

17. Foreign Trade Zones/Free Ports

The Development and Free Zones Commission (DFZC) is the independent governmental body responsible for creating, regulating, and monitoring Jordan's Free Trade Zones, Industrial Estates and the five development zones. DFZC's mission is to increase foreign direct investment (FDI) through the enhancement of the investment environments inside these Zones. The DFZC Commissioners and an administrative team supervise and centrally approve investment-related matters. The DFZC can expedite the provision of government services and provide a number of investment incentives, tax and customs exemptions. The five development areas are the King Hussein Bin Talal Development Area (KHBTD) in Mafraq, the Ma'an Development Area, the Irbid Development Area (IDA), the Dead Sea Development Zone, and the Jabal Ajloun Development Zone.

The Aqaba Special Economic Zone (ASEZ) is an independent economic zone not governed by the DFZC. It offers special tax exemptions, a flat five percent income tax, and facilitates customs handling at Aqaba Port. In recent years ASEZ has attracted projects mainly in hotel and property development valued at over \$8 billion. The government continues to implement development projects aimed at attracting commerce and tourism through the Port of Aqaba. The Aqaba New Port project, initiated in 2010 with completion expected by 2015, includes relocating the current port 20 km south, adding four new terminals, and expanding ship berthing, marine services, and capacity, including for energy resources such as natural gas, phosphates, and propane. In early 2014, Jordan announced a new public-private partnership committee tasked with enhancing Aqaba's investment climate.

As part of Jordan's efforts to foster economic development and enhance its investment climate, the government has created geographically demarcated industrial estates, free zones, and special economic zones.

The semi-governmental Jordan Industrial Estates Corporation (JIEC) currently owns six public industrial estates in Irbid, Karak, Aqaba, Amman, Ma'an and Muwaqar. In early 2014, Jordan announced plans for a new industrial site in Balqa governorate to help fulfil a government goal of establishing industrial sites in each Jordanian governorate. There are also several privately-run industrial parks in Jordan, including al-Mushatta, al-Tajamouat, al-Dulayl, Cyber City, al-Qastal, Jordan Gateway, and al-Hallabat. These estates provide basic infrastructure networks for a wide variety of manufacturing activities, reducing the cost of utilities and providing cost-effective land and factory buildings. Investors in the estates also receive various exemptions, including a two-year exemption on income and social services taxes, total exemptions from building and land taxes, and exemptions or reductions on most municipalities' fees. Jordan also has public "free zones" in Zarqa, Sahab, Karak, Karama, and Queen Alia Airport that are run by the publicly-owned Free Zone Corporation (FZC). Over 30 private free zones have also been designated and are administered by private companies under the FZC's supervision.

The free zones are outside of the jurisdiction of Jordan Customs, and provide a duty- and tax-free environment for the storage of goods transiting Jordan.

Both Jordanian and foreign investors are permitted to invest with few restrictions in trade, services, and industrial projects in free zones. Industrial projects must be related to one of the following industries:

- New industries that depend on advanced technology;
- Industries that require locally available raw material and/or locally manufactured parts;
- Industries that complement domestic industries;
- Industries that enhance labor skills and promote technical know-how;
- Industries that provide consumer goods and that contribute to reducing market dependency on imported goods.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Jordan does not maintain official detailed statistics of FDI but aggregate inflows tracked by the Central Bank of Jordan give an indication of the overall volume. The Jordan Investment Board approved 464 projects worth about \$2.7 billion in 2013, reflecting a 19.5% increase over 2012 figures. About \$1.1 billion of that investment went to the industrial sector. Foreign investment represented about 50 percent of all JIB-approved investments in 2013.

Foreign Direct Investment

Period	(\$ millions)
2013 (Jan-Sep)	1,468
2012	1,499
2011	1,473
2010	1,706
2009	2,433
2008	2,833

Source: Central Bank of Jordan

Sources of Portfolio Investments in Jordan

The registered capital stock by owner at the end of 2013 (USD million) was as follows:

Nationality	2013	2012	2011
Jordan	14,104	14,548	14,785
Lebanon	1,720	1,032	1,083
Kuwait	1,572	1,579	1,625

Qatar	1,328	1,247	1,304
Saudi Arabia	1,302	1,763	1,852
United States	1,180	1,744	1,654
Libya	732	768	777
Bahrain	715	631	535
Joint Arab	666	1,100	1,045

Source: Securities Depository Center as of December 31, 2013

19. Contact Point at Post for Public Inquiries

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