JORDAN
INVESTMENT CLIMATE STATEMENT
2015

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Executive Summary

Jordan is a Middle East country located on desert plateaus in southwest Asia. 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 2014, despite ongoing challenges both domestically and in the region. The government pursued economic reform measures as part of its International Monetary Fund (IMF) Stand-by Arrangement program. Central Bank foreign reserves, supported by the transfer of loans and foreign grants, reached nearly USD 15 billion at the end of 2014, a 15 percent increase from its USD 13 billion level at the end of 2013. GDP grew at a rate of 3.1 percent, slightly higher than the 2.7 percent growth rate in 2013. Jordan's fiscal position continues to be burdened by the loss of Egyptian natural gas, resulting in the import of costlier fuels. However, helped with lower international oil prices, the government was able to close its near-term financing gap with savings from reform measures, loans, and foreign assistance. The importation of liquefied natural gas, to begin on July 1, will further assist Jordan in reducing its chronic financing gaps.

Despite cabinet changes, the prime minister has remained in place since the fall of 2012, helping guide the country through difficult economic reform efforts. In 2014, Jordan moved forward on a number of legislative reforms, including the new Income Tax Law, Public Private Partnership Law and Investment Law. Jordan was not immune from the dramatic events taking place in the Arab region, and 2014 witnessed several minor 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 2015, the general investment outlook for Jordan remains favorable and in several sectors, advantageous.

In May, 2015, the government of Jordan released Jordan 2025, a ten-year economic blueprint to support comprehensive and sustainable economic development and to strengthen the social fabric of Jordan. The document was prepared over a 12 month period with private sector and community service organization participation. Jordan 2025 includes over 400 policies and procedures to be implemented by the government, private sector, and civil society organizations in the coming decade. The Prime Minister's Delivery Unit was re-established to ensure the government stays on track with the timeline and implements the proposed initiatives. The following is a link to the document:
http://inform.gov.jo/Portals/0/Report%20PDFs/0.%20General/jo2025part1.pdf

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct 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) was signed in October of 2000, and fully implemented in January 2010. The United States and Jordan signed a Bilateral Investment Treaty in 1997 that went into force in 2003.

Other Investment Policy Reviews

Jordan has been a World Trade Organization (WTO) member since 2000. Jordan's first and only WTO Trade Policy Review was conducted in 2008.
https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S009-Html.aspx?Id=95627&BoxNumber=3&DocumentPartNumber=1&Language=E&Window=L&PreviewContext=DP&FullTextSearch=#

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.
http://www.oecd.org/countries/jordan/jordan-investment-policy.htm

Laws/Regulations of Foreign Direct Investment

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 in the governing regulations. In fact, many Jordanian businesses actively seek engagement with foreign partners as a way to increase their competitiveness and access other international markets. The government's 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.

Industrial Promotion

The Executive Privatization Commission was replaced by the Public Private Partnership Unit at the Minister of Finance (PPP Unit) upon the passage of the Public Private Partnership Law in September 2014. The law aims to encourage the participation of the private sector in the Kingdom’s economic development and provide a legislative environment for joint projects between the two sides. The PPP Unit 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 network, a postal system, the expansion and upgrading of the nation's sole refinery, and a large scale water desalination plant, among others.

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; this law promises to open the hydrocarbon sector to local and foreign investors. In 2014, Jordan established a new Energy and Minerals Commission linked to the Ministry of Energy and Mineral Resources. The new commission has the existing regulatory function of the Jordan Electricity Regulatory Commission and the National Resource Authority.

Limits on Foreign Control

Jordan's current investment law treats foreign and local investors equally. Regulations governing foreign ownership include 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 (exception; 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 Council, which is comprised of the Prime Minister, ministers with economic portfolios, and representatives from the private sector. To qualify for the exemption, projects have to be categorized as being 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.

Privatization Program

Over the last fifteen years, 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). Jordan currently has four independent power producers, which supply 1,564 megawatts of the total power generation capacity of 3,987 megawatts, or 39 percent. The Amman East Power Plant 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 USD 300 million plant project was financed jointly by the 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. In October 2014, AES completed construction of the al-Manakher Power Plant, which produces 241 megawatts of power. The USD 360 million project also received OPIC financing.

The Jordan Civil Aviation Regulatory Commission provides separation between regulation and aviation management. Amman's Queen Alia International Airport is fully privatized and privately managed on the build-operate-transfer (BOT) model. The first phase of the airport expansion finished in March 2013 and completion of the second phase is expected by 2017. The second phase of the project allows the airport to grow its current capacity from approximately nine million passengers per year—an increase from the pre-privatization levels of 3.5 million—to 12 million per year. The few remaining government assets not privatized, including Jordan Silos and Supply Company, 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.

Screening of FDI

Local and foreign investments are screened by the Jordan Investment Commission (JIC). In 2014 a new investment law was passed which consolidated three entities – the Jordan Investment Board and the two entities that oversee investment zones, the Jordanian Development Zones Commission and the Free Zones Corporation. They became a new entity called the Jordan Investment Commission. This law incorporates a statement of investors' rights and a legal framework for the newly established Investment Window, which is located at the Investment Commission's headquarters.

The new law requires new governing regulations for a number of investment aspects. Currently, thirteen new sets of regulations are under different stages of review and approval by the government. The government approved the regulations governing the operations of the Investment Window and Investment Incentives. They are available on the following link http://www.pm.gov.jo/arabic/index.php?page_type=gov_paper&part=3&id=5338. Two other sets of regulations regarding registration procedures and taxation have been drafted and are awaiting government approval. Regulations regarding customs procedures and income tax incentives for investment in less developed areas are currently being drafted.

Competition Law

A newly-drafted Competition Law which will update the 2004 Competition Law 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.

Investment Trends

Jordan ranked 117 out of 189 countries in the World Bank's 2015 Doing Business Report, a two point improvement over its 2014 ranking. Jordan ranked 11th in the Middle East, North Africa (MENA) region maintaining the same ranking as in 2014, 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 USD 1,410 to USD 1.41.
- Jordan has a single reception service for company registration.
- Cross border trade has been facilitated through the implementation of a risk-assessment inspection regime for pre-approved traders, reducing to 30 percent the number of containers subject to physical inspection by customs authorities.

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.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2014	55 of 175	transparency.org/cpi2014/results
World Bank's Doing Business Report "Ease of Doing Business"	2015	117 of 189	doingbusiness.org/rankings
Global Innovation Index	2014	64 of 143	globalinnovationindex.org/content.aspx?page=data-analysis
World Bank GNI per capita	2013	USD 11,670	data.worldbank.org/indicator/NY.GNP.PCAP.CD

2. Conversion and Transfer Policies

Foreign Exchange

The Jordanian Dinar (JOD) is fully convertible for all commercial and capital transactions. Since 1995, the JOD has been pegged to the U.S. dollar at an exchange rate of approximately JOD 1 to USD 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 the following:

- 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 JODs on a forward basis. Banks are permitted to sell foreign currencies in exchange for JODs 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.

Remittance 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.

3. Expropriation and Compensation

Article 11 of the Jordanian Constitution stipulates that expropriations are 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

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Jordan has a mixed legal system based on civil law, Sharia Law (Islamic Law) and customary law. The Constitution establishes the judiciary as one of three separate and independent branches of government. Jordanian commercial laws do not make a distinction between Jordanian and non-Jordanian investors. Rulings by U.S. courts or other international arbitration committees, however, can be upheld through the successful filing in a local domestic court of a motion called Enforcement of Ruling. Plaintiffs complain of backlogs and subsequent delays in legal proceedings.

The following laws and regulations currently govern investments in Jordan: the Companies Law, Public Private Partnership Law number 31 of 2014 and the Investment Law 30 of 2014 with its subsequent implementing regulations and Regulating Non-Jordanian Investments Regulation.

Bankruptcy

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

Investment Disputes

Investment disputes are dealt with as any other commercial or civil dispute in the Jordanian judicial system. Large investment agreements with the Jordanian government as a party contain a dispute resolution clause that would refer cases to arbitration in Jordan.

International Arbitration

Under domestic law, foreign investors may seek third party arbitration as a means of settling disputes. 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 U.S persons.

ICSID Convention and New York Convention

Since 1972, Jordan has been a contracting state to the International Centre for Settlement of Investment Disputes (ICSID convention) only a small number of cases between foreign investors and the Jordanian government have been brought before ICSID tribunals. Jordan is also a signatory to the convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York convention).

Duration of Dispute Resolution

It takes anywhere between three to four years for cases that go through the local court system to reach a verdict. Cases settled through arbitration take between 12 to 18 months. The main challenge regarding litigation cases is being able to conduct proper process of service upon all concerned parties. Another challenge is the lack of specialized investment and commercial courts limiting the judge's capacity to review cases.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

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 customs duties exemptions, which are granted to both Jordanian and foreign investors.

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.

Investment Incentives

Under the current Investment Law Number 30 2014, the Council of Ministers, upon the recommendation of the Investment Council, may offer a number of investment incentives in accordance with the law and governing regulations for projects outside the Development and

Free Zones. The Investment Council and Investment Commission can offer some types of exemptions for projects in the following sectors:

1. Agriculture and Livestock.
2. Hospitals and specialized medical centers.
3. Hotel and touristic facilities.
4. Touristic entertainment and recreation cities.
2. Contact and communication centers.
3. Scientific research centers and medical laboratories.
4. Technical and media production.

These incentives include customs exemptions, refunding of the general tax for production inputs, or zero sales tax. Automatic exemptions are also granted for specific services whether purchased locally or imported. The Income and Sales Tax Department will refund the general tax levied within thirty (30) days from submitting a written request in accordance with the terms and conditions determined by the Regulations Governing Investment Incentives number 33 of 2015.

A number of non-automatic exemptions will be granted for production requirements and assets of economic, industrial or handicrafts activities of dual-use. Such exemptions are subject to administrative procedures and approvals obtained from the Technical Committee and are also governed by the above regulation.

Investments in special economic zones and development zones will receive a minimum of 30 percent income tax waiver depending on the zone. Additional incentives are provided for projects under the Industrial Estate Corporation, and the Aqaba Special Economic Zone. For further details please visit:

- Jordan Investment Commission (http://www.jic.gov.jo/)
- Jordan Industrial Estate Corporation (http://www.jiec.com)
- Aqaba Special Economic Zone (http://www.aqabazone.com/)

Net profits generated from most export revenues are 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.

Research and Development

The Royal Scientific Society (RSS) is the largest applied research institution and technical support service provider in Jordan and is a regional leader in the fields of science & technology.

RSS provides expert testing services through more than twenty-five specialized locally & internationally accredited laboratories and they pride themselves in offering both the public and private sectors a unique scientific resource and a wide range of project expertise.

RSS has no restrictions to partnering with local and international organizations.

Performance Requirements

Jordan does not mandate local employment, but encourages hiring Jordanians. Jordan has a well-educated and trained labor force of the 1.8 million people, of which approximately 350,000 are registered foreign workers. Unofficial indicators speculate that unregistered foreign workers are nearly double this number. Most foreign laborers are employed in construction, agriculture, and domestic housekeeping sectors. Approximately 35,000 also work in the QIZs as textile workers. 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.

Data Storage

Jordan does not follow forced localization policy, nor does it have requirements for foreign IT providers to turn over source code or provide access to surveillance.

6. Right to Private Ownership and Establishment

Investment and property laws allow domestic and foreign entities to establish businesses that 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.

Foreign firms may not 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 govern contractual agreements 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

Real Property

Interest in real property is recognized and enforced, through its recording in legal registries. The legal system facilitates and protects the acquisition and disposition of property rights.

Intellectual 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, 5,258 violations of Jordan's current copyright law were referred to the judiciary, including 462 cases in 2013 and 460 cases in 2014. Additionally, 28 trademark violation cases were referred to court in 2013. 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/.

Resources for Rights Holders

Embassy point of contact:

Ms. Shaden al Majali
Economic Analyst
Telephone: +962 (6) 5906317
E-mail: MajaliSA@state.gov

Local lawyers list:
http://photos.state.gov/libraries/jordan/231771/PDFs/List%20of%20Attorneys%20-%20June%202012.pdf

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. The Jordan Investment Commission (JIC), with its newly established Investment Window, promises to streamline the process. However, historically red tape and opaque procedures, particularly at the local government level, presented problems for foreign and domestic investors.

For further details: please contact:

Investment Window
Jordan Investment Commission
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Amman 11821 Jordan
E-mail: info@jic.gov.jo

9. Efficient Capital Markets and Portfolio Investment

There are three key capital market institutions: the regulator, Jordan Securities Commission (JSC); the exchange, Amman Stock Exchange (ASE); and the custodian for all transaction contracts, clearings, and settlements, 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 4.8 percent, from 2066 points in 2013 to 2166 at the end of 2014. Trading volume decreased by 15 percent to 2.2 billion shares from 2.6 billion shares in 2013. The number of listed companies dropped to 236 companies at the end of 2014 compared to 240 at the end of 2013. The market capitalization of listed shares at the ASE amounted to USD 25.5 billion, equaling 75.8 percent of GDP.

Money and Banking System, Hostile Takeovers

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 USD 7.46 billion and Treasury bills in excess of USD 918 million were issued in the local market in 2014.

Foreign investors are allowed to participate in auctions and to purchase government securities through banks. Jordan issued its first and only debt on international markets in 2010 with the fully subscribed offering of USD 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 three-year, USD 2.1 billion Stand-By Arrangement (SBA) program to assist Jordan in addressing fiscal and external challenges and foster growth through economic reform. Total disbursements since August 2012 is just over USD 1.8 billion. As part of this program, the authorities reduced subsidies by increasing electricity prices in August 2013 and January 2014, as well as in January 2015.

In October 2013, Jordan issued a USD 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 issued another dollar-denominated Eurobond worth USD 1 billion in 2014, again guaranteed by the United States government and plans to issue a third one in June 2015. 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 USD 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 JOD 100 million in capital and raised the requirement for foreign banks to JOD 50 million. Jordan does not distinguish between investment banks and commercial banks. Jordan has 25 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 initially insured deposits up to JOD 10,000 (USD 14,000). DIC currently insures deposits up to JOD 50,000 (USD 71,000) and is expected to maintain the guarantee for the foreseeable future. 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, the 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 USD 30 million and ordered the return of USD 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 USD 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

A number of State-owned enterprises (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.

OECD Guidelines on Corporate Governance of SOEs

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.

Sovereign Wealth Funds

Jordan does not have a sovereign wealth fund (SWF).

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. CSR efforts focus on improving infrastructure in adjoining communities or providing better access to educational opportunities.

OECD Guidelines for Multinational Enterprises

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.

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 fifteen 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. Violent extremist groups in Syria and Iraq, including the Islamic State of Iraq and the Levant (ISIL) and Jabhat al-Nusra continue to pose a threat. The potential for terrorist activity was heightened as Jordan took an active role in the coalition against ISIL. 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 the Anti-Corruption

Commission (ACC) to investigate allegations of corruption. In 2013, the commission referred 230 cases to the judiciary and secured nine convictions. In Transparency International's 2014 Corruption Perceptions Index, Jordan ranked 55 out of 175 countries.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Jordan signed the UN Anti-Corruption Convention in 2003, which was ratified in 2005.

Jordan is not a party to the OECD Convention on Combatting Bribery.

Resources to Report Corruption

Abd al-Kharabseh
Chairman
Anti-Corruption Commission Board
P.O. Box 5000, Amman, 11953, Jordan
+962 6 550 3150

Contact at "watchdog" organization:
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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 USD 1 billion dollars in capital investments, generated around USD 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 percent from 2012 to 2013 under the FTA to USD 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 completed the transitional period in 2014.

With respect to other agreements, 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.

Bilateral Taxation Treaties

Jordan does not have a double taxation treaty with the United States.

15. OPIC and Other Investment Insurance Programs

Investments in Jordan are eligible for Overseas Private Investment Corporation (OPIC) insurance and private financing. Projects require a minimum of 25 percent U.S. equity in order to qualify. Over the past several years, OPIC backed significant investments in Jordanian private equity ventures and in mortgage financing. In fact, OPIC has over USD 1 billion in investments in Jordan. In December 2012, OPIC announced the financing of a USD 170 million, 241-megawatt electrical power plant construction project in Jordan; this plant opened for business in October 2014. OPIUC is also active in financing projects in Jordan's burgeoning renewable energy sector. In 2011, OPIC signed a USD 250 million loan guarantee program to support small and medium sized enterprises (SMEs) in Jordan. OPIC previously extended a USD 250 million loan to support the USD 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

Jordan's 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 6.7 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 2014 averaged 12.3 percent, a slight improvement from the 12.6 percent 2013 average.

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. In 2013, the GOJ and stakeholders in the garment industry reached the first collective-bargaining agreement in Jordan's history.

17. Foreign Trade Zones/Free Ports/Trade Facilitation

Jordan’s new investment law merged the Development and Free Zones Commission (DFZC) into the newly formed Jordan Investment Commission, an independent governmental body responsible for creating, regulating, and monitoring Jordan's free trade zones, industrial estates and the five development zones. The Investment Commission’s mission is to increase foreign direct investment (FDI) through the enhancement of the investment environments inside these zones. The President of the Commission and the administrative team supervise and centrally approve investment-related matters within the guidelines set by the Investment Council and approved by the government. The Investment Commission 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 (KHBTDA) 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 Investment Commission or the articles in the Investment Law 30/2014 governing investments in free zones or development zones. 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 USD 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 in late 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 will continue to receive their incentives until the current contracts expire and will also receive various exemptions, including a two-year exemption on income and social services taxes, complete 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 nationals and foreign investors have 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; or,
- Industries that provide consumer goods and that contribute to reducing market dependency on imported goods.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		**USG or international statistical source**		**USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other**
Economic Data	**Year**	**Amount**	**Year**	**Amount**	
Host Country Gross Domestic Product (GDP) ($M USD)	2013	33,631	2014	35,753	www.worldbank.org/en/country
Foreign Direct Investment	**Host Country Statistical source***		**USG or international statistical source**		**USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other**
U.S. FDI in partner country ($M USD, stock positions)	N/A		2013	217	http://bea.gov/international/factsheet/factsheet.cfm?Area=505
Host country's FDI in the United States ($M USD, stock positions)	N/A		2013	-81	http://bea.gov/international/factsheet/factsheet.cfm?Area=505
Total inbound stock of FDI as % host GDP	N/A		N/A		

Table 3: Sources and Destination of FDI

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.

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			**Equity Securities**			**Total Debt Securities**		
All Countries	24,857	100%	All Countries	N/A	100%	All Countries	N/A	100%
Lebanon	1,700	6.5						
Kuwait	1,587	6.1						
Qatar	1,403	5.4						
Saudi Arabia	1,366	5.2						
Bahrain	820	3.3						

Source: Securities Deposit Center

19. Contact for More Information

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