

Why Jordan

In the belief that an efficient regulatory framework stimulates the role of the private sector, Jordan has recognized the need to establish business-friendly structures with strong emphasis on supporting entrepreneurial initiative. His Majesty King Abdullah has identified national goals such as increasing foreign and domestic direct investments. His Majesty is the surest catalyst for creating sustainable economic growth.

With the establishment of the Investment Promotion Law in 1995, and with other subsequent actions designed to enhance the investment environment, Jordan has opened its economy to the wealth and prosperity business and investment should bring.

The Investment Promotion Law grants generous and attractive incentives to domestic as well as international investors in terms of freedom from customs duties, tax holidays, income tax exemptions and unrestricted transfer of capital and profits. The implementation of this law is vested in the Jordan Investment Board, which is the only national entity responsible for promoting and facilitating investment in Jordan. The law irrevocably affirms that both Jordanian and non-Jordanian investors are treated equally.

10 Reasons to Invest in *Jordan*

1. Unique and Strategic Location

- . Situated at the convergence of Europe, Asia and Africa.
- . Transportation hub of the Middle East.
- . Access to the Red Sea through the Port of Aqaba, and other ports via neighboring countries.

2. Stable Political Environment

- . Dedicated and stable leadership in the Hashemite monarchy, supported by a democratically elected Parliament.
- . Guaranteed freedom of belief, speech, press, association and private property.
- . Firm commitment to private enterprise system.

3. Free Market Oriented Economy

- . Economic policies based on outward-oriented, private sector led approach.
- . Ongoing privatization of major state-owned enterprises.
- . Significant advances in structural and legal reform.

4. A Package of Incentives and Exemptions to Encourage Investment

- . Projects are exempted from income & social services taxes by 25%, 50%, or 75% for a ten-year period, depending on the location and sector of the project.
- . Imported fixed assets are 100% exempted from customs duties and taxes.
- . Imported spare parts for fixed assets are exempted from fees and taxes, up to 15% of the total cost of the fixed asset.
- . Additional exemption from customs duties and income tax is granted for the expansion, modernization, or development of existing projects.

. Hotels and hospitals may purchase furniture and supplies without custom duties once every seven years for renewal purposes.

5. Access to Major International Markets

- . Access to the US market, the free trade agreement that was ratified in 2001.
- . Duty & quota free access to the US market through the Qualifying Industrial Zones (QIZ).
- . Duty free access to EU markets.
- . Access to more than 10 Arab countries through the Arab Free Trade Agreement.
- . Bilateral agreements and favorable protocols with over 20 countries.
- . Member of the Multilateral Investment Guarantee Agency (MIGA).

6. Free Zones and Industrial Estates

- . The Free Zones Corporation manages four fully operational industrial parks located in Amman, Aqaba and Zarqa.
- . Nine private free zones in Jordan employ over 4,000 people in industries such as chemicals, fertilizers, and meat packing.
- . The Industrial Estate Corporation manages four fully operational industrial parks in Amman, Irbid, Al Karak, and Aqaba.
- . Private industrial parks, Al Tajamouat, Ad-Dulayl, Gateway, Al-Mushatta, Al-Qastal, and Cybercity which also enjoy QIZ designation.

7. Qualified and Competitive Human Resources

- . Abundant and competitive workforce.
- . Young and highly educated population.
- . 89% of the population are literate.
- . 17% of Jordanians receive higher education.
- . Highly competitive wage rates.

8. World Class Infrastructure and Communications

- . State telephone company operates on a commercial basis, with 40% of the company privatized.
- . Choice of privately-owned Internet service providers.
- . Direct Royal Jordanian flights to 47 major cities in Europe, the Middle East, the Far East, North Africa, and North America, served by 26 international airlines.
- . Modern highway network.
- . Major trucking lines ensuring the movement of raw materials to and from the port of Aqaba as well as into and from ports of neighboring countries.
- . Jordan's port of Aqaba acts as a strategically located gateway to Jordan, the developing Red Sea region, and the Middle East as a whole.
- . A telecom infrastructure that offers a wide range of services such as: PSTN; call free, digital leased lines, ISDN and ADSL services.
- . Two satellite stations and two mobile operators providing GSM and GPRS services on the international level.

9. Attractive Investment Climate

- . Income and social services tax incentives for up to 10 years.
- . Total customs exemptions on imported fixed assets.
- . Ease of licensing and registration procedures

- . Revenues on exports are exempted from income taxes until the end of 2002.
- . Export industries are not subject to customs duties on imported raw materials.
- . Free repatriation of capital, profits and salaries.

10. High Quality of Life

- . Amenities of modern life are readily available and affordable.
- . High quality public and private education provided in Arabic, English, and French.
- . Health services in Jordan are of international standards at reasonable rates.
- . Developed networking community, active local and international business associations and cultural centers.
- . Traditional festivals, cultural entertainment events, and a wealth of archeological sites.
- . Excellent clubs and restaurants.

Investment Promotion Law

The Investment Promotion Law recognizes the benefits that foreign investment will bring to Jordan, and includes provisions that encourage domestic entrepreneurs as well.

Jordan targets the following sectors for favorable tax and customs duty treatment: Industry, Agriculture, Hotels, Hospitals, Maritime transport, Railway, Leisure and Recreational Compounds, Convention and Exhibition Centers. The benefits afforded to investors are considerable.

Freedom from Customs Duties

- . Fixed assets are exempted from fees and taxes provided that they are imported into the Kingdom solely for the use of the project. These assets include the machinery, equipment, and supplies, which are used in the project, including the furniture and equipment for hotels and hospitals.
- . Imported spare parts for the project shall be exempted from fees and taxes provided that the value of such spares does not exceed 15% of the value of the fixed assets for which they are required.
- . Fixed assets required for the expansion, development or modernization of the project shall be exempted from fees and taxes if such expansion, development or modernization shall result in an increase in the production capacity of the project by not less than 25%.
- . Hotel and hospital projects shall be granted exemption from fees and taxes once every seven years for the purchase of furniture and supplies required for modernization and renewal.
- . Any increase in the value of fixed assets, which are imported for the project, shall be exempted from fees and taxes if such increase is a result of a rise in the price of such assets in the country of origin, of a rise in the freight charges applicable thereto, or of changes in the exchange rate.

Exemption from Taxes

Corporate income tax rates in Jordan are as follows:

- . 15% on mining, industry, hotels and hospitals
- . 35% on insurance and financial institutions
- . 25% on all other companies
- . 0% on agriculture projects

The Kingdom is divided into three development zones: A, B and C. Projects in these zones shall enjoy exemptions, by the following percentages, from income and social services taxes for a period of ten years, starting from the date of commencement of work.

1. 25% if the project is in a class A development area.
2. 50% if the project is in a class B development area.
3. 75% if the project is in a class C development area.

Investment Guarantees

- Jordan Investment Law affords equal treatment to both Jordanian and non-Jordanian investors. The Law allows the non-Jordanian investor to own any project in full or in part, or to engage in any economic activity in the Kingdom, with the exception of some trade and contracting services which require a Jordanian partner.
- Except for participation in public shareholding companies, the investment of the non-Jordanian may not be less than fifty thousand Jordanian Dinars (JD 50.000 or \$US 70.000).
- The investor has the right to manage the project in the manner he/she deems appropriate, and through the person(s) chosen by the investor for its management.
- The Non-Jordanian investor shall be entitled to remit abroad without delay, and in a convertible currency, the invested capital together with any returns and profits accrued, the proceeds of liquidation of the investment or the proceeds of the sale of all or part of the project.
- Non-Jordanian technicians and administrators working in any project may transfer their salaries and remuneration abroad.
- With approval of the investment promotion committee, the investor may re-export the exempted fixed assets.
- With approval of the investment promotion committee, the investor may sell the exempted fixed assets or relinquish them to another investor or project not covered by the provisions of this law after paying the fees and taxes due on such fixed assets.
- Any investor whose investment is guaranteed by his country or by an official agency thereof may assign to that country or agency any returns on his investment or other compensation to which he is entitled.
- It shall not be permissible to expropriate any project or to subject it to any measures that may lead to expropriation unless such expropriation shall be by way of compulsory purchase for the purpose of the public interest, and in return for just compensation to be paid to the investor. The compensation paid to a non-Jordanian investor in such case shall be in a convertible currency.
- Investment disputes between an investor of foreign capital and Jordanian government agencies shall be settled amicably. If no amicable settlement can be reached within a period not exceeding six months, either party may resort to litigation or may refer the dispute to the International Center for the Settlement of Investment Disputes (ICSID).

Summary

The Investment Promotion Law No. 16 of 1995 recognizes the benefits that foreign investment will bring to Jordan, and includes provisions that encourage domestic entrepreneurs as well. Jordan targets the following sectors for favorable tax and customs duty treatment: Industry, Agriculture, Hotels, Hospitals, Maritime transport, Railway, Leisure and Recreational Compounds, Convention and Exhibition Centers. The benefits afforded to investors are considerable.

Why Aqaba

Incentives offered to Investors

As part of the continuous efforts to create the most suitable and attractive environment to businesses wishing to locate in ASEZ, the Aqaba Special Economic Zone Authority (ASEZA) has put forward a competitive set of incentives that include:

- A flat 5% income tax on the net profit.
- Exemption from social services tax.
- Exemption from annual land and building taxes on utilized property.
- Exemption from taxes on distributed dividends and profits.
- Duty-free import of goods in commercial quantities.
- No foreign equity restrictions on investments.
- No foreign currency restrictions.
- Full repatriation of profits and capital.
- Streamlined labor and immigration procedures through the one-stop-shop.
- 100% foreign ownership.
- Up to 70% foreign labor.
- Full guarantees on rights and ownership.
- Regional multi – modal transportation hub with a full service seaport and international airport.
- Certificate of origin (Made In Jordan) for the factories within Aqaba Special Economic Zone (ASEZ)

Strategic Location

ASEZ, Jordan's gateway to global commerce and a premier tourist destination is strategically located at the crossroads of four countries and three continents. Situated on the northern tip of the Red Sea on the Gulf of Aqaba, the ASEZ covers approximately 375km², and extends to the land borders of Saudi Arabia and Israel, and the territorial waters of Egypt.

1- Jordan – US Free Trade Agreement

- The Jordan – U.S. Free Trade Agreement (FTA), signed on October 24, 2000 and ratified on September 24, 2001, eliminates duties and commercial barriers to bilateral trade in goods and

services originating in the United States and Jordan. The FTA also includes, for the first time ever in the text of a trade agreement, separate sets of substantive provisions addressing trade and environment, trade and labor, and electronic commerce. Other provisions address intellectual property rights protection, balance of payments, rules of origin, safeguards and procedural matters such as consultations and dispute settlement.

- The FTA will eliminate tariffs on virtually all trade between the two countries within 10 years. The tariff reductions are in four stages: Current tariffs of less than 5 percent will be phased out in two years; those that are now between 5 and 10 percent will be eliminated in four years, those between 10 and 20 percent will be gone in five years, and those that are now more than 20 percent will be eliminated in 10 years.

2- Qualifying Industrial Zones (QIZ)

- Jordan has been granted the privilege to establish Qualified Industrial Zones (QIZ's), which provide duty-free access to the US market for products manufactured in Jordan without any quota restrictions. Qualified manufacturers are operating in the Aqaba International Industrial Estate, a designated QIZ that benefit from this agreement. The agreement stipulates that for a product to be qualified for QIZ benefits, at least 35 per cent of the appraised value must be shared by Jordanians and Israeli sources, with possible input by the Americans or the Palestinians. The QIZ is a tool to promote peace and stimulate the Jordanian economy, and represents an unprecedented opportunity to gain duty-free and quota free access to the US Market, the world's largest and most affluent consumer market.

3- Accession of Jordan to World Trade Organization

- Jordan became the 136th WTO member on April 11, 2000 following major economic and legislative reforms and highlighting Jordan's commitment to market liberalization, privatization, liberalized telecommunications and financial services. Jordan is among the most advanced countries in the area of intellectual property rights, and has passed legislation that protects copyrights, patents, and industrial designs.

4- Jordan – EU Association Agreement

- The Euro-Jordanian Association Agreement with Jordan was signed on November 24 1997. Its main objective is to create a free trade area between EU and Jordan by the year 2010 and to establish a comprehensive framework for political, trade, economic and financial cooperation. This agreement shall offer manufacturers duty-free access to the European markets.
- This agreement is intended to make it easier for Jordanian business to export to the EU, and for EU companies to do business in Jordan. This is a two way process offering equal opportunities for both Jordanian and European companies.

5- Accord d'Agadir

- The declaration is named after the Moroccan city in which it was introduced in May 2001 and in which Egypt, Morocco, Tunisia and Jordan expressed their intention to set up a Free Trade Area among themselves.
- The accord aims at boosting the competitiveness of member countries and allowing their products into European Union (EU) markets, in addition to expanding cooperation, commercial exchange and free trade between the four participating states. The Agadir Agreement spectrum includes customs, services, certificates of origin, government purchases, financial dealings, preventive measures, intellectual property, standards and specifications, dumping and mechanisms to resolve conflicts. The Free Trade Zone will make up a market of more than 100 million people and a combined domestic product of nearly 150 € billion.
- The Ministers agreed on the establishment of four bodies to ensure the implementation of the agreement: the Committee of Foreign Ministers, the Committee of Foreign Trade Ministries, the Technical Committee and a Technical, which will be based in Amman.

6- Arab Free Trade Agreement (AFTA)

- In March 1998, Jordan along with ten Arab countries signed the Arab Free Trade Agreement according to which all Arab products moving among Arab member states will be afforded the status of national goods in accordance with the principle of gradual liberalization. By way of annual reductions of 10% of customs duties, fees and taxes, goods are scheduled to be moving duty-free among the States through the establishment of the Arab Free Trade Zone by 2008. As a result Jordan is expected to attract new Arab-based investments, and to enjoy unhindered access to the markets of the Arab world.

7- Jordan-Singapore Free Trade Agreement

- In May 16th 2004, Jordan and Singapore signed an Agreement Establishing a Free Trade Area. The Agreement aims at strengthening the economic ties between the two countries, expanding trade in goods and services, developing the investment climate and promoting business alliances between their private enterprises with a view to exploring business opportunities and new export markets in third countries through accumulation of origin, while benefiting from Singapore's expertise in economic and technological development.
- Pursuant to the Agreement, products originating from Jordan would be exempted from customs duties immediately after the entry into force of the Agreement. As for products originating from Singapore, they would be subject to gradual reduction of customs duties, within set timeframes. The Agreement provides as well clear mechanisms pertaining safeguard, anti-dumping and countervailing measures.

8- Jordan – EFTA States Free Trade Agreement

- On June 21, 2001, Jordan and the EFTA states (Iceland, Liechtenstein, Norway and Switzerland) signed a free trade agreement which aims to create favorable conditions for the development and diversification of trade and to promote commercial and economic cooperation in areas of common interest on basis of equality, mutual benefit, non-discrimination and international law.
- The agreement which entered into force on 1/1/2002 provisionally with Switzerland covers economic cooperation and technical assistance in a number of fields ranging from intellectual property and customs matters to technical regulations.
- The free trade area between Jordan and the EFTA states will be fully operational through progressive liberalization extending over a period of 12 years. The agreement covers trade in industrial, agricultural and fish and marine products. As of the date of entry into force of the agreement, the EFTA states will abolish all customs duties and other charges on imports of industrial products originating in Jordan. Jordan will progressively abolish customs duties on the same products originating in the EFTA states according to 2 schemes extending over 4 to 12 years, while leaving tariffs on a limited number of categories of products to be negotiated after four years of entry into force of the agreement.