

**GENERAL AGREEMENT
ON TARIFFS AND TRADE**

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Memorandum on the Foreign Trade Regime

The attached Memorandum on the Foreign Trade Regime has been received from the Government of the Kingdom of Jordan. In order that the matter may be examined by the Working Party (L/7407/Rev.1), contracting parties are requested to communicate to the Secretariat by 21 November 1994 any questions they may wish to put concerning the matters dealt with in the Memorandum, for transmission to the authorities of the Kingdom of Jordan.

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COUNTRY PROFILE

Area and location

Jordan measures 89,544 square kilometres. It forms a geographical unit with the Sham Region (large Syria) in the aspects of topography, population, weather and history. Jordan occupies a middle location among the Arab-Asian States. It is surrounded by Syria from the North, Iraq and Saudi Arabia from the East, Gulf of Aqaba and Saudi Arabia from the South and Palestine from the West.

Topography

Topographically, Jordan is divided into four regions: the plateaus consisting of northern and eastern plateaus; the valleys, comprising the Jordan Valley, the Dead Sea Valley and the Wadi Araba Valley; the meadows; and the desert.

Hydrography

- (1) The Dead Sea (40 miles long and 10 miles wide).
- (2) The Gulf of Aqaba.
- (3) The River Jordan (rises inside Syria and is about 175 miles long).
- (4) The River Jordan Tributaries: Yarmouk, Zarka and Mujib.

Population

The population of Jordan exceeds 4.0 million with an average growth rate of 3.2 per cent for the last decade. Jordan is a young nation in terms of population age, as more than half of the population (or 51 per cent) are below the age of 15, and the percentage of the elderly does not exceed 4 per cent of total population.

The political regime

The political regime is a constitutional monarchy with three separate powers in full democratic manner:

1. Legislative: It comprises the King and the Parliament which consists of the Upper House of Parliament (40 members) and the Lower House of Parliament (80 members).
2. Executive: It comprises the King, Prime Minister and the Council of Ministers.
3. Judiciary: It comprises the civil courts which consist of the courts of the first and second instance, the courts of appeal and the cassation. The religious courts are divided into sharia courts for Moslems and councils of religious communities for non-Moslems.

I. Characteristics of the Jordanian economy

Jordan's economic position reflects its structural features and its strong links to the economies of the region. Macroeconomic and financial imbalances that characterized the Jordanian economy throughout the previous three decades were continuously counterbalanced by external financial inflows in the form of workers' remittances and grants from regional countries. The regional recession resulting from declining oil prices in the mid eighties severely curtailed these financial inflows. Economic imbalances surfaced. Both fiscal and external current account deficits reached around 20 per cent of GDP, and the external debt increased to almost 165 per cent of GDP. This necessitated the launching

of a comprehensive programme of economic reform which consisted of a package of policy and institutional measures to bring about fiscal and monetary stability, as well as, a structural transformation of the economy. This programme was supported in 1989 by the IMF, the World Bank and other development partners of Jordan.

1.1 Restructuring of the Jordanian economy

At the heart of the adjustment programme is the reduction of the macroeconomic imbalances, especially the reduction of the budget deficit. To maintain a balance between the demand for the limited availability of resources in the future, the programme was designed to reduce the budget deficit (excluding grants) from the 1991 level of 17.8 per cent of GDP to 2.5 per cent of GDP by 1998. This reduction would require structural changes in Jordan's revenue base and in the pattern of expenditures. The measures contemplated by the Government are expected to increase domestic revenues from 29 per cent of GDP in 1991 to about 31 per cent of GDP by 1998, and to reduce the current expenditures from about 37 per cent of GDP in 1991 to about 26 per cent during the same period. The key policy for enhancing revenues was the introduction of a general sales tax (GST).

Other fiscal measures focus on expenditure and subsidy reduction. These measures are intended to reduce expenditures by about 4 per cent of GDP in 1992; a further reduction of 1-2 per cent of GDP annually will be pursued over the medium term. The most important measures to reduce expenditures on subsidies include increases in the domestic prices for petroleum derivatives and reductions in the food subsidies. Finally, the design and implementation of a programme to improve the finances of loss-making public enterprises are an important element of the Government's expenditure reduction programme.

The Government carried out a substantial depreciation of the exchange rate during 1989 and is committed to maintaining a flexible exchange rate policy. In view of the stringent demand management policies implicit in the fiscal programme, no pressures on the exchange rate are expected. The Government intends to introduce further trade liberalization measures to protect the objectives of the trade reform.

In industry, the restructuring of incentives would be accompanied by Government actions aimed at strengthening institutions in support of manufacturing and exports. In agriculture, the Government is planning a number of measures to deregulate production and trade and to improve support services for the farmer. Moreover, the Government has formulated an energy sector adjustment programme, in order to improve the efficiency of energy use and stimulate long-term energy resource development. As for public enterprises that incur losses and are a major burden on the budget, the Government aims at restoring the financial viability in the short run. In the long run, greater competition will be introduced for the goods and services provided by these enterprises.

1.2 Economic trends in 1992-1993

Adjustment efforts that were initiated in 1989 were bearing fruit and the economy had just started to respond favourably to these efforts when the Gulf crisis erupted in mid-1990. As a result, imbalances were accentuated as Jordan's exports sharply dropped, remittances from Jordanian workers fell and incomes from transit transport, tourism and travel were lost. Moreover, the influx of about 300,000 Jordanians working abroad, the surge of unemployment to around 25 per cent of the labour force and a decline in per capita income and consumption posed serious challenges for Jordan.

The Government, determined to carry out economic reforms, resumed the adjustment programme and was able to surpass the targets for 1992. After several years of decline and virtual stagnation in economic activity, real GDP increased by more than 11 per cent. Bumper agricultural crops, and a

surge in construction, trade, and manufacturing activities contributed to this record increase in output. In 1993, real GDP growth registered 5.8 per cent. Price stability was another noteworthy achievement; budgetary and monetary restraint on the demand side and adequate availability of domestic and imported goods on the supply side helped contain inflation to around 4 per cent in 1992 and 4.8 per cent in 1993.

The most significant and determined adjustment effort was made in the budgetary area. In 1992 and 1993, the Government of Jordan successfully implemented revenue enhancing measures - including a large increase in petroleum product prices, and reduction of food subsidies. These fiscal efforts, combined with strict expenditure control and buoyant revenue collection associated with the surge in domestic economic activity, contributed substantially to a sharp reduction in the fiscal deficit, to less than 6 per cent of GDP in 1992 and 4.3 per cent in 1993 compared to 18 per cent recorded in 1991.

The balance-of-payments position strengthened significantly in 1992 and 1993. Domestic exports increased in both years. Workers' remittances and tourism receipts also registered marked improvements resulting in a surplus in the services balance in 1993. The current account deficit to GDP decreased to 10 per cent in 1993 compared to 15 per cent in 1992. The Government's commitment to maintain a competitive exchange rate policy and the measures taken to further liberalize the foreign exchange system contributed to this achievement. Jordan also succeeded in reducing substantially the outstanding external debt both in nominal terms and in relation to GDP, and improved significantly its debt profile and creditworthiness through prudent debt management policy. Substantial debt relief from bilateral official creditors greatly complemented Jordan's efforts toward stabilization of external debt management. The outstanding external debt declined to 142 per cent of GDP in 1992 and 133.6 per cent in 1993 compared with 195 per cent in 1990.

This remarkable growth and Jordan's relentless efforts to achieve economic reforms have had adverse effects especially on the low-income segments of society. Although unemployment was reduced to 15 per cent by the end of 1992, it still remains a major challenge which requires effective medium and long term remedial measures. Per capita income declined to US\$1,011 in 1992 from a high of US\$2,148 in 1986. Moreover, the percentage of families under the poverty line increased from 18.7 per cent in 1987 to 21.3 per cent in 1991 and then declined to 16.1 per cent in 1992.

1.3 Plan for economic and social development 1993-1997

The issues of unemployment and poverty are not addressed directly in the adjustment programme directly. These highly sensitive issues have to be dealt with in order to allow for steady improvement in per capita income and living standards. Thus, the Government encompassed the adjustment programme in a more comprehensive economic and social package in the form of the new five year plan, 1993-1997, to complement it and increase its chances of success by paying attention to social issues that the programme did not address.

1.3.1 Objectives and basic principles of the plan

1.3.1.1 Economic and social objectives

The basic objectives of the plan are the following:

1. To ensure fiscal and monetary stability and eliminate price and production distortions;
2. To redirect economic activities and policies with the aim of reducing disparities among social groups and geographical regions;

3. To combat poverty and protect underprivileged groups ensuring a minimum level of decent living for them;
4. To expand and diversify the income- and employment-generating production base and to develop a highly competitive export sector;
5. To enhance the capabilities of all citizens and create the proper conditions conducive to citizens to invest their potential;
6. To conserve the environment and prevent the deterioration of its component elements.

1.3.1.2 Basic principles

The economic policy in Jordan is based on a number of general principles most important of which are the following:

1. To develop the regulatory and supervisory role of the Government and to reduce its direct role in production; to activate private sector investment in the areas of direct production, infrastructure, and basic services; and to restructure public sector corporations with financial difficulties;
2. To develop natural resources, particularly water and energy, through identifying water resources and channelling available quantities towards the best possible uses within an integrated water plan, ensuring optimal use of available energy sources; and developing production institutions administratively and financially;
3. To develop the export sector by means of developing support services as well as export-promotion legislation and policies, and the restructuring of export incentives;
4. To ensure a balance between human and economic resources through the development of education and vocational training;
5. To create new job opportunities in production areas with the aim of gradually reducing unemployment to an acceptable level through wider training, the financing of productive projects for limited-income groups, and the promotion of small-scale labour-intensive industries;
6. To build national capabilities in the fields of science and technology and information.

1.3.2 Economic and social policies

The macroeconomic and sectoral policies of the Government can be described as follows:

1.3.2.1 Macro policies

1. Fiscal policies

Fiscal policies will seek to reduce the deficit in the public budget through controlling expenditure and increasing domestic revenues. To achieve this, the following measures will be taken: the Government subsidy for commodities will be gradually reduced and, for public institutions, completely eliminated; Government services costs will be recovered after taking the needs of limited income groups into consideration; the tax base will be expanded and its efficiency improved; and the consumption tax will be replaced by a general sales tax.

2. Monetary policy

The monetary policy will seek to secure monetary stability to ensure general price stability in addition to adequate financing for economic activities. This is to be achieved through control of the money supply, consolidation of foreign currency reserves, continued liberalization of interest rates, the establishment of a deposit insurance corporation, the amendment of the Banking Law to provide for Central Bank supervision of all banking establishment and financial institutions, and the reduction of monetary control restrictions.

3. Social policy

The social policies during this period will seek to reduce development disparities among social groups and regions and to advance social integration through the protection of lower income groups and control of subsidy policy by directing it to target groups. They also aim at continued regional development and at ensuring a balance between resources and population by limiting the use of resources and adopting appropriate population policies. The social policies will also focus on safeguarding the family as a cornerstone of society.

1.3.2.2 Sectoral policies

1. Social sector policies

The social sectors policies aim at raising the living standard of the population through improving the quantity and quality of the social services offered to them, enhancing job opportunities, and reducing poverty. Most important among the social policies are those which seek to accomplish the following:

- (a) To achieve a balance between resources and population, to orient social services and Government support towards needy groups, particularly those below the poverty line, and to train and rehabilitate such groups;
- (b) To direct the work of non-governmental charitable organizations towards income- and labour-generating projects for poor families;
- (c) To develop employment policies, promote the financing of small enterprises, encourage the establishment of private employment agencies, and regulate educational outputs and the inflow of foreign labour;
- (d) To develop all cycles of education, improve school tests and public examinations, and upgrade teaching efficiency;
- (e) To improve health care, and adopt a pharmaceutical policy that would ensure the sustained provision of medicines;
- (f) To establish public libraries on a wide scale, particularly in local communities, and to give more attention to children's culture;
- (g) To train and rehabilitate the disabled through vocational training, and to strengthen the National Assistance Fund;
- (h) To promote vocational training for job seekers and raise occupational health, safety and environmental standards in firms and corporations.

2. Investment sectors policies

The investment sectors policies seek to create an appropriate investment climate conducive to the enhancement of production for domestic consumption and export and to the rationalization of imports. This is to be achieved by:

- (a) Providing investment information and streamlining registration and licensing procedures;
- (b) Promoting reliance on non-credit financing facilities and encouraging the banking sector to finance needed investments;
- (c) Reducing government intervention in pricing policies, preventing the formation of monopolies, and protecting consumers;
- (d) Amending the tax system by eliminating the anti-export and anti-manufacturing bias and streamlining implementation procedures;
- (e) Amending the Encouragement of Investment Law to increase investment incentives;
- (f) Improving the quality of Jordanian goods and services to raise their competitiveness internationally;
- (g) Developing local maintenance capabilities and regulating auditing services;
- (h) Restoring financial and administrative autonomy to public institutions and permitting the private sector to provide public services;
- (i) Promoting exploration for domestic ores, with private sector involvement;
- (j) Organizing agricultural marketing activities and operations, expanding the area of cultivable land, and securing the necessary financing for agricultural activities.

3. Infrastructure sectors policies

The infrastructure sectors policies seek to maintain and upgrade the efficiency of infrastructure facilities by:

- (a) Involving the private sector in the implementation and management of infrastructure;
- (b) Completing the development of the infrastructure needed by the investment sectors;
- (c) Enhancing public awareness of the limited nature of water and energy resources, and improving the utilization of such resources;
- (d) Improving the financial and managerial efficiency of public organizations by computerizing their activities, rationalizing their use of human resources, and decentralizing their work to ensure flexibility in performance;
- (e) Regulating water use and raising the efficiency of water carrying systems in order to reduce loss;
- (f) Promoting the competitiveness of domestic contracting and engineering consultancy firms.

4. Comprehensive sectors policies

Comprehensive sectors policies aim at improving public administration, raising scientific and technological standards, adapting technology to domestic uses, and conserving the environment.

II. Main features of the external sector

2.1 Commodity and geographical structure of foreign trade

Jordan's foreign trade (domestic exports + imports) with the rest of the world witnessed a considerable expansion during the last five years. The volume of trade grew, on average, by 20.2 per cent during the period (1988-1992). Its value increased from JD (1,347.3) million in 1988 to JD (2,847.8) million in 1992. Accordingly, the ratio of foreign trade to GDP, at current prices, increased from 60.7 per cent in 1988 to 87.4 per cent in 1992.

Domestic exports registered positive growth rates during the period 1988-1992 except in 1991. The average growth rate during the period reached 22.6 per cent. As a result, the ratio of domestic exports to GDP, at market prices, increased from 14.6 per cent in 1988 to 19.4 per cent in 1992.

Jordan's main exports are mineral and mineral-related products, including phosphate rock, potash and fertilizers. Though their share of domestic exports showed a downward trend as it decreased from 59.4 per cent in 1988 to 44.4 per cent in 1992, these three products constituted, on average, 51.7 per cent of domestic exports during the above-mentioned period. The share of non-traditional exports which include a variety of manufactured products such as chemicals and pharmaceuticals and fruits and vegetables, increased from 40.6 per cent in 1988 to 55.6 in 1992.

All major components of exports such as mineral based exports and non-traditional exports have recorded wide fluctuations reflecting variations in the availability and openness of regional and other foreign markets, as well as price fluctuations. The Arab countries' absorption of Jordanian exports declined from 42 per cent in 1988 to 28.8 per cent in 1991, followed by a recovery to 35.1 per cent in 1992. The Jordanian exports to EC averaged 4.4 per cent during the period 1988-1992. Among countries, India is the major export market for Jordanian exports absorbing about 15 per cent in 1992, followed by Saudi Arabia, Iraq, Indonesia, Japan and Turkey.

As for imports, their average annual growth rate was 20.2 per cent during 1988-1992. The high growth rates can be attributed mainly to the one shot increase in population after the Gulf Crisis and the industrial sector's increasing demand for imports of capital goods, raw materials and energy products. Consequently, the ratio of imports to GDP at market prices increased from 46.1 per cent in 1988 to 68.0 per cent in 1992.

Both the commodity composition and geographical distribution of Jordanian imports have relatively remained stable during the period 1988-1992. The major imports are foodstuffs, machinery and transport equipment, manufactured goods and mineral fuels and lubricants. The main sources of Jordan's imports have been the European Community countries, primarily Germany, Italy, France, and the United Kingdom, followed by the Arab countries. Iraq is the major exporter to Jordan among countries, given its role as a supplier of petroleum products, followed by the United States of America and Japan.

2.2 Balance of payments

During the last five-year period, Jordan's balance-of-payments components witnessed considerable changes. The balance of trade deficit surged from JD (638.50) million in 1988 to JD (1,461.7) million

in 1992. This increase in trade deficit was mainly financed by the services surplus which increased from JD (300.7) million to JD (662.1) million during the same period. Another source of finance was the unrequited transfers which increased from JD (241.9) million to JD (340.1) million in 1991 before declining to JD (285.8) million in 1992.

In spite of the above-mentioned developments, the current account deficit widened through the years 1988-1992 except in 1989. This deficit increased from JD (105.5) million in 1988 to JD (520.6) million in 1992. Its ratio, to GDP at market prices, reached 15.9 per cent in 1992. Nevertheless, the overall balance improved during this period particularly after the Gulf Crisis as a result of transferring back of workers' savings from abroad. The overall balance registered a deficit of JD (72.7) million in 1988 before turning to a surplus in the following three years. In 1992, this balance recorded a deficit of JD (36.9) million.

2.3 Jordan's external debt

Government expenditures have been increasing continuously during the last years in the context of building up suitable infrastructure in various economic sectors of the economy. Due to the limited domestic resources, these expenditures combined with the ever increasing amounts of imports caused a chronic deficit in the Government budget and current account, which was financed through external borrowing from various sources.

The borrowing accumulated to reach the peak in 1990 with an external debt balance of the amount of JD (6,052.5) million at the end of 1990, against JD (5,409.4) million at the end of 1989.

After 1990, Jordan's external debt data indicated a noticeable improvement represented by a significant drop in the balance of external loans (disbursed and undisbursed). This balance declined to JD (4,803.8) million at the end of 1993 compared with JD (5,516.8), (5,203.1) million at the end of 1991, 1992 respectively. This improvement in the external debt balance resulted mainly from the increase in debt repayments, the abrogation of certain contracted loans, cancellation of leases for Royal Jordanian Airlines, and Government rescheduling as well as repurchase of certain governments and commercial loans.

The drop in the external debt balance led to a decrease in its ratio to GDP at current market prices from 232.2 per cent in 1989 to 133.6 per cent in 1993.

Classification of external debt according to its maturity in 1993 shows that long-term loans constituted 93.7 per cent of the outstanding public debt, whereas the other loans constituted the remaining ratio. Loans extended by foreign and Arab governments formed 71.2 per cent of the outstanding balance of external debt; multilateral institutions accounted for 19.3 per cent; bonds and leasing contracts formed 6.3 per cent; and foreign banks formed the remaining 3.2 per cent.

III. Trade policy

3.1 Foreign exchange regime

3.1.1 Exchange arrangements

The currency of Jordan is the Jordan dinar. The exchange rate of the Jordan dinar is determined on the basis of its relationship to a basket of currencies constituting the SDR, with the weights determined by their relative importance to Jordan's international transactions. On 30 December 1993, the official buying and selling rates quoted by the Central Bank of Jordan for the US dollar were JD 0.703 and

JD 0.705, respectively, per US\$1. Buying and selling rates for other foreign currencies¹ are fixed on the basis of the cross rates between the US dollar and the currencies concerned in international financial markets.

A fee of 0.10 per cent is levied on exchange permits approved by the Central Bank for sales of exchange for imports, except imports of government departments and certain other approved institutions. Authorized banks are permitted to enter into forward contracts in major currencies against the Jordan dinar for specified commercial transactions, provided that they cover such operations abroad. Even authorized dealer's forward transactions are subject to quantitative limits. For corporations or projects considered to be of vital national interest, the Central Bank may offer a forward exchange facility in respect of forward exchange cover provided by Jordanian banks. There are no taxes or subsidies on purchases or sales of foreign exchange.

3.1.2 Administration of control

Exchange control is administered by the Foreign Exchange Control Department of the Central Bank, which also issues exchange permits; the Central Bank has delegated to authorized banks the issuance of exchange permits for import payments and, within permitted annual limits, for personal invisible payments. Import policy is determined by the Ministry of Industry and Trade in cooperation with the Ministries of Finance, Supply, Agriculture and Health.

3.1.3 Prescription of currency

Outward payments may be made in any currency. Proceeds from exports and invisibles must be collected in any convertible currency through an authorized bank in Jordan or from a non-resident account with an authorized bank in Jordan, or in cash in foreign bank notes from abroad.

3.1.4 Non-resident accounts

Subject to the prior approval of the Central Bank, authorized banks may open non-resident accounts in domestic currency. Withdrawals and transfers from non-resident accounts are permitted freely. In addition, non-residents, including Jordanians working abroad, may freely open interest-bearing foreign currency accounts with authorized banks. Balances on these accounts may be withdrawn freely in convertible currency and may be used for any purpose. The interest rate is fixed in accordance with rates prevailing in international markets.

3.1.5 Foreign currency accounts

Accounts denominated in a foreign currency may be opened at the Central Bank by governmental and semi-governmental entities, as well as by the specialized credit institutions, licensed financial companies, and domestic corporations of vital national interest, provided that outstanding balances (including interest earnings) in each account do not exceed the equivalent of JD 1 million. This ceiling may be raised in certain cases.

Jordanian nationals residing in Jordan may maintain foreign currency deposits with licensed banks in Jordan, provided that the total balance of the deposits that any one person holds does not exceed the equivalent of JD 500,000. If an account has been credited with currency notes, or with a transfer through the banking system or with cheques in foreign currency, it may be debited for financing commercial liabilities comprising imports into the Kingdom, free zones and trading in transit goods

¹Belgian francs, Deutsche mark, French francs, Italian lire, Japanese yen, Netherlands guilders, pounds sterling.

and also for the payment of invisibles only with currency permits. Jordanians who have worked abroad for more than six months and have decided to return may continue to keep accounts in foreign currencies without limit for a period of up to five years, after which the deposits in excess of the equivalent of JD 500,000 must be converted into Jordan dinars. Licensed banks and financial companies may extend credit facilities to residents and non-residents against their foreign deposits up to JD 100,000 without the prior approval of the Central Bank. Credits exceeding JD 100,000 may also be extended without the Central Bank's prior approval, provided that they are fully backed by deposits in foreign currency.

3.1.6 Imports and import payments

Generally, imports do not require a licence. However, imports requiring a licence also require an exchange permit, which is granted automatically when an import licence has been obtained; the importer holding an exchange permit may either open a letter of credit or pay against documents. A fee of 0.10 per cent is levied on exchange permits for imports except those made by Government departments and certain approved institutions and individual permits of less than JD 300. The use of suppliers' credits is subject to prior approval from the Central Bank, which is normally given for essential imports only.

3.1.7 Imports into free zones

With the discontinuation of Central Bank issuance of exchange permits for imports to free zones and for transit trade, it is the importer's responsibility to provide foreign currencies to finance such transactions. Banks are authorized to set the percentage of advance import deposit they charge their clients in case of imports to free zones or on transit goods based on customer's financial credibility and on generally accepted standards.

3.1.8 Payments for invisibles

The policy on payments for invisibles is, in general, liberal and non-discriminatory.

Residents are permitted to take out or transfer foreign means of payment equivalent to JD 35,000 to meet current payments for invisibles consisting of travel, education, medication, pilgrimage, residence abroad, family assistance and others. This allowance is granted annually. Amounts in excess of the above-mentioned allowance shall be considered positively, in case of presenting supportive documents.

Premiums of life insurance policies issued by insurance companies operating in the Kingdom in favour of non-residents or Jordanians working abroad are to be collected in foreign currency remitted from abroad or from non-resident accounts.

A fee of 0.10 per cent is levied on exchange permits for invisible payments except those of Government departments and certain approved institutions, permits financed from non-resident accounts in foreign currency, credited from sources outside Jordan, and those with a value of less than JD 300.

Remittances may be made by postal order for amounts not exceeding the equivalent of JD 10 a month to any person residing abroad and are not subject to this ceiling. The authorized amount for subscriptions to newsletters, magazines and scientific bulletins is the equivalent of JD 1,000. In practice, the Central Bank does not restrict remittances of income accruing to non-residents or of savings of foreign nationals returning to their own countries.

In addition to any travel allocation, residents and non-residents travelling abroad may take out up to JD 5,000 in Jordanian bank notes and coins. Non-residents working in Jordan may transfer 70 per cent of their salaries if they maintain a non-resident Jordan dinar account; if they do not have

such accounts, they may transfer up to JD 100 a month up to a maximum of JD 1,200 a year. Furthermore, all travellers may take out cheques, traveller's cheques, or letters of credit issued by authorized banks in Jordan, in accordance with exchange permits authorized by the Central Bank. Tourists and other non-residents may also take out foreign currency notes and coins and any other foreign means of payment that they had previously brought in and declared to the customs authorities at the time of entry.

3.1.9 Exports and export proceeds

Proceeds from exports of goods of Jordanian origin must be repatriated through authorized banks; proceeds from re-exports of goods must be repatriated within one month of shipment. Exporters are allowed to keep 10 per cent of proceeds in deposits at local commercial banks or financial institutions and to use them to pay for imports of inputs. Fertilizer and mining companies must sell balances exceeding 10 per cent of proceeds to the Central Bank, and their foreign exchange requirements are provided by the Central Bank.

Central Bank of Jordan provides advances to authorized banks against export credits and bills for products whose local value-added is not less than 25 per cent.

3.1.10 Proceeds from invisibles

Foreign exchange receipts from invisibles must be repatriated through an authorized bank. Travellers entering Jordan may bring in any amount of Jordanian and foreign notes and coins.² Any person considered for exchange control purposes as a resident of Jordan is not permitted to retain any foreign currency in the Kingdom, except what is allowed for in the Foreign Exchange Control Regulation (the equivalent of JD 500 thousand per person) and shall sell excessive sums to licensed banks, financial companies or authorized dealers.

3.1.11 Capital

Inward transfers of capital are not restricted, but outward transfers require approval and are not normally permitted, except that the Central Bank may approve applications made by banks, insurance companies, industrial or trading firms, and contractors for permission to transfer funds abroad for specified investment or operating purposes. The transfer of funds for the purpose of investing in Arab countries by individual investors is permitted only if mutual treatment of bilateral agreement exists between Jordan and the Arab country invested in, and it is the investors' responsibility to provide foreign currency to finance such investments. Current income resulting from non-resident investments in Jordan may be transferred abroad. Under the Encouragement of Investment Law, profits, dividends and interest from approved foreign investments may be remitted, subject to the approval of the Ministry of Industry and Trade in accordance with the guidelines of the Central Bank. After two years, repatriation of the capital is permitted with the approval of the Ministry of Industry and Trade and the Central Bank. The Investment Committee may approve more liberal provisions, and exchange permits are granted accordingly. The Foreign Companies Registration Law No. 46 (1975) provides various benefits to foreign companies establishing branches in Jordan for purposes of conducting business outside the country; such branches may also be granted non-resident status for exchange control purposes. Premium Development Bonds denominated in Jordan dinar may be purchased with convertible currencies by non-residents; proceeds from redemption at maturity, including interest are transferable in any convertible currency.

²Approval is not granted for the crediting of such Jordanian currency to a non-resident account or for the remittance abroad of the equivalent in foreign currency.

3.1.12 Gold

The Central Bank has issued ten gold coins, which although legal tender, do not circulate and are available only to non-residents and domestic numismatists. Residents may purchase, hold, and sell gold coins in Jordan for numismatic or investment purposes.

Imports of gold in any form are permitted without the prior approval of the Central Bank, while importation of gold for the purpose of craftsmanship and re-export is subject to the prior approval of the Central Bank.

Exports of gold in any form other than gold that has been increased in value due to craftsmanship, require the prior approval of Central Bank.

3.1.13 Changes during 1993

Export and export proceeds

1 February. The Central Bank made the following adjustments to the general conditions concerning its advances to licensed banks and financial companies against export credits and bills against bank drafts and collections: (1) the interest rate charged on export promotion facilities by the Central Bank was amended to be 5 per cent, instead of 3.5 per cent below the prevailing discount rate. (2) banks' commission charged on exporters was raised from 2 per cent to 2.5 per cent.

26 December. The Central Bank of Jordan decided to exclude export promotion facilities from the outstanding credit facilities which are subject to the 90 per cent credit ratio.

Investment portfolios

5 January. Licensed banks and financial companies have been authorized to offer the service of Investment Portfolios Management for non-residents, in major foreign currencies, with a minimum amount of US\$ 250 thousand and a maximum of US\$ 500 thousand for each portfolio.

Margin trading

1 July. Licensed banks have been authorized to offer margin trading services for non-residents, maintaining foreign currency accounts with a minimum of 30 per cent as a marginal deposit for each position.

11 July. Banks have been authorized to offer foreign currency account/account services for residents.

3.1.14 Changes during 1994

25 January. To further liberalize foreign currency regulations, the Central Bank of Jordan introduced the following amendments:

- Any eligible resident is permitted to take out or transfer foreign means of payment equivalent to 35,000 instead of 20,000 Jordan dinars per year to meet current payments for invisibles consisting of travel, education, medication, pilgrimage, residence abroad, family assistance and others.
- Licensed banks and financial companies were authorized to open accounts in foreign

currencies for non-residents without any conditions. In addition, withdrawals and transfers from non-resident accounts are permitted freely.

- Applications for exchange permits that include advance payment must be supported with either one of the following two guarantees, instead of the first one only, to ensure the repatriation of foreign currency transferred through the same bank that issued the exchange permit:
- An external banking guarantee of an amount equal to the advance payment.
- A local guarantee of an amount equal to 20 per cent of the advance payment in favour of the Central Bank.

3.2 Trade regime

Jordan's trade regime in the late 1980's was characterized by high tariff and non-tariff barriers. As a result of this protective system, the overall incentive structure favoured production for the domestic market. In 1989-1992 the trade regime was liberalized, as part of the overall structural adjustment efforts. The first phase of the trade liberalization process began with the elimination of a large number of quantitative import restrictions in 1989; only a limited number of which have been maintained for a few manufacturing products. The authorities also reduced the maximum combined effective tariff (including the import surcharge of 13 per cent and the import license fee of 5 per cent) for merchandise imports other than luxury goods from more than 300 per cent to 50 per cent.* As a result, the effective rate of protection has declined substantially, and the dispersion in the tariff schedule has been reduced by more than one half.

3.2.1 Tariff system

The first Customs Department in Jordan was established in 1922 and the first Customs Law was adopted in 1926. Currently, Jordan is implementing the Customs Law No. 16 for the year 1983. This Law is expected to be amended in 1995 taking into consideration international developments and the economic policy of the government. The Customs Department is also implementing a comprehensive plan for administrative reform aiming at streamlining, simplifying and computerizing customs procedures to arrive at a one stop service system.

Tariff nomenclature

Jordan applies the Harmonized System Nomenclature as of 1 January 1994.

Tariff structure

The tariff structure is multiple. The following table shows the different duties, taxes and fees imposed on imports:

*This was done in agreement with the World Bank, (list of luxury goods is provided in Annex.)

<u>Type of tax</u>	<u>Percentage</u>
1. Customs duties	range from 0-320%
2. Consolidated surcharge	6% on all items subject to customs duties
3. Municipalities fees	2% on all items subject to customs duties
4. University fees	4% on all items subject to customs duties
5. Surcharge tax 1969 (amended in 1989)	5% on all items exempt from customs duties and are not basic commodities nor capital goods, 3% on all items subject to customs duties
6. Import fees	5% on all items except goods exempted by the Cabinet
7. Fees for veterinary and laboratory analysis	collected when such services are rendered by government

Tariff rates

Although there are several import-related duties' taxes and fees, and the range of customs duties is wide, the weighted average of the consolidated tariff rate is 25 per cent. In 1992, 800 items classified by BTN paid a tariff rate of 10 per cent or less. The following table shows the distribution of items by tariff rate in 1992:

Consolidated tariff rate	Number of items (BTN)	% of items	% of import value
0 - 10.2%	800	33.9	17.4
10.3 - 20.2%	18	0.8	36.7
20.3 - 30.2%	308	13.1	13.9
30.3 - 40.2%	648	27.4	9.9
40.3 - 50.2%	453	19.2	5.4
50.3 - 75.2%	26	1.1	11.7
75.3 - 100.2%	32	1.4	0.7
100.3 - 150.2%	44	1.9	3.9
more than 150.3%	31	1.2	0.4
Total	2,360	100.0%	100.0%

It is worth noting that 47.5 per cent of the value of imports are exempt from customs duties but pay a 5 per cent surcharge tax. Goods that are exempt include equipment, machinery, raw materials and basic foodstuffs.

Consumption tax/general sales tax

Jordan imposes a general sales tax (GST) at a rate of 7 per cent on all goods except basic foodstuffs, fuel, agricultural equipment and machinery, and pharmaceuticals.

Customs valuation

Customs duties in Jordan are calculated on the basis of the CIF value of imports on the registration date of the customs declaration form.

In general, there is compliance between real and declared prices. However, the Law authorizes the Customs Department to directly value imported items if the importer fails to verify his declared price.

Duty free status

Duty free status is granted in the following cases:

1. Items given such status in the tariff schedule.
2. Imports governed by bilateral trade agreements (protocol trade).
3. Imports of the Phosphate, Potash, Petroleum Refinery, Tanning and Electricity Companies, as stated in their franchise laws.
4. Imports of government institutions according to the Customs Law, subject to cabinet approval.
5. Imports of diplomatic missions, international organizations and regional offices of foreign companies.
6. Imports of charitable organizations subject to Cabinet approval, and special cars for the disabled.
7. Imports of projects covered by the Encouragement of Investment Law.
8. Imports of educational institutions.
9. Imports of hospitals such as medical equipment and medicines.

3.2.2 Non-tariff measures and import/export regulations

3.2.2.1 Import/Export Law

The new Import/Export Law No. 14 for the year 1992 and the By-law No. 74 for the year 1993 regulate the flow of imports and exports. The main features of these regulations are as follows:

1. No import licence is required except for imports through protocol trade or for those goods that need prior approvals from concerned government institutions. These approvals are considered as import licences.
2. No export licence is required for goods of Jordanian origin.
3. For those goods that require an import licence, a licence is given for the duration of one year that can be extended for two years.
4. Import fees are collected with customs duties.
5. Agricultural and industrial machinery are exempted from import fees.
6. Raw materials exempted from customs duties are also exempted from import fees.

3.2.2.2 Prohibitions: There are prohibitions on five major commodities, (i) tomato paste; (ii) fresh milk and certain dairy products; (iii) mineral water; (iv) table salt; and (v) plastic wastes. In addition, there is a de facto ban on imports of cars that are five years old or older for safety reasons. Some of these products are sensitive. Tomatoes, for example, are an important crop in the Jordan Valley and the production of tomato paste is an important outlet for fresh tomatoes.

3.2.2.3 Imports through Government: The Government regulates the imports and initial distribution of nine commodities, sugar, wheat, flour, rice, one brand of dried milk, cigarettes, frozen chicken, lentils and olive oil. Private sector contractors are selected through tendering and act as agents for the Ministry of Supply in facilitating the import of the commodity.

3.2.2.4 Prior approvals: There are prior approvals required for five categories of goods: (i) fruits and vegetables; (ii) certain chemicals; (iii) medicines; (iv) some foodstuffs; and (v) telecommunication equipment.

The imports of all fresh fruits and vegetables are subject to a plan issued by the Agricultural Marketing Organization which determines on a quarterly basis which commodities can be imported from which countries. This regulation of the market aims at preventing excessive supply in the Jordanian market during the seasons of production, which would adversely affect farmers. During off-seasons, imports are allowed to make agricultural products available at reasonable prices.

There are some chemicals which require the permission of the Directorate of General Security of the Ministry of Interior before they can be imported.

Medicines require permission from the Ministry of Health (MOH). This policy was put in place out of the concern that Jordan could become the recipient of dated medicines and drugs.

There are 66 foodstuffs that require permission from the Ministry of Supply (MOS). These commodities include items such as white cheese, barley, animal foodstuffs, meat, fish, butter, fresh juice, beans, cows and sheep. Permissions are granted automatically by the MOS.

All telecommunication equipments such as telephones, facsimile machines, telexes etc. require the prior approval of the Ministry of Telecommunications for technical purposes.

3.2.2.5 Rules of origin

- Imported goods should have a certificate of origin endorsed by an approved authority in the country of origin, as well as, an enclosed invoice.
- National exports should have a certificate of origin endorsed by the Chamber of Industry or the Chamber of Commerce and/or any other authority as requested by the importer, as well as, any other requirement agreed upon in trade protocols.
- For the purpose of re-exporting goods, a certificate of foreign origin has to be issued and be endorsed by the Chamber of Industry or the Chamber of Commerce.

3.3 Export promotion and incentives

Export promotion in Jordan is a relatively recent activity. Its importance became evident after the Gulf war and the loss of export markets for Jordanian products. The Jordan Export Development and Commercial Centers Corporation executed a project for the development and marketing of products of four industrial sectors in the last two years.

The project was part of the World Bank Emergency Recovery Loan for Jordan, and financed by a US\$5 million grant from the Swiss Government.

In addition to that, there exists a number of incentives to promote exports and thus increase foreign exchange earnings. These incentives take the form of:

3.3.1 Customs duty exemptions in the form of temporary entry and drawback schemes

- The temporary entry scheme which grants duty exemptions for firms manufacturing for exports is applied in Jordan. Exporters can use the scheme when they buy from either wholesalers of bonded commercial warehouses, as well as when they import directly.
- The duty drawback arrangement allows exporters to receive refunds on duties paid on those materials which would subsequently be used in the production of exports.

Instructions for the application of these schemes have been revised to facilitate their application.

3.3.2 Credit facility of the Central Bank of Jordan

The export promotion facility programme is initiated by the Central Bank of Jordan. This programme aims at bearing low interest rate to support eligible exports which include all agricultural and manufactured exports with domestic value added of not less than 25 per cent. The following are the general terms of export promotion facilities extended to licensed banks and financial institutions against bills, letters of credit and drafts:

- The percentage of the credit made available relates to whether pre-shipment period is financed; whereas the maximum percentage of pre-shipment credit is 75 per cent of the value of exports' letters of credit, the maximum percentage of post-shipment credit is 90 per cent of the value of bills of lading and drafts.
- The interest rate charged on these facilities by the Central Bank is currently set at 5 per cent below the prevailing discount rate i.e. it is 3.5 per cent regardless of the export market.
- The maximum duration of advances extended against exports' letters of credit, bills of lading and guaranteed drafts is nine months for all countries.
- The commission charged by licensed banks and financial institutions from the exporter is 2.5 per cent so as to encourage banks to provide such credit and promote it among customers.

3.3.3 Loans granted to the Industrial Development Bank (IDB)

To encourage the establishment of new industries and expand the already-existing ones, the Central Bank of Jordan allocated an amount of JD 10.0 million to be extended through the IDB as medium term credit at low interest rate. These loans are used as follows:

- Financing raw materials essential to industrial export operations.
- Financing new industrial projects and expanding the existing ones.
- Financing commodities stored for export purposes.

The conditions for granting these loans are:

- The maximum maturities for the IDB loans and credit documents are five years and seven years, respectively.
- The Central Bank of Jordan charges an interest of 6 per cent annually, while the IDB receives an interest and commission of 2.5 per cent higher than the interest received by the CBJ.
- These loans are granted on condition that cogent evidence is submitted to show the availability of export activities of the customer or if an indication of promising export opportunities is submitted.

3.3.4 Income tax exemptions

Income accrued from export sales is exempted completely. This exemption covers export sales through non-protocol trade only.

3.4 Free Zones

One of the main objectives of establishing the free zone areas in the Kingdom is to encourage transit trade and export-oriented industries that would support the national economy of Jordan. Two free zones are currently operating in Jordan. They are:

1. The Aqaba Free Zone

The total area of the Aqaba Free Zone is close to one million square meters. It is fully equipped with:

- (a) Infrastructure;
- (b) Goods handling equipments;
- (c) Storage warehouses of an area of 250,000 square meters;
- (d) Paved open yards of an area of 300,000 square meters;
- (e) Cold-storage facilities of a capacity of 6000 tones.

It serves foreign and transit trade of goods imported through the port of Aqaba.

2. The Zarqa Free Zone

The Zarqa Free Zone covers an area extending 5.5 million square meters, and lies on strategic international crossroads. It serves both the industrial and commercial investment sectors.

Exemptions and incentives

Foreign, local and joint venture investment in industrial and services projects established in free zones enjoy the following exemptions:

- 1. Exemption of profits from income tax for a period of twelve years.
- 2. Exemption of non-Jordanian employees from income tax on their remuneration and exemption from social services tax.
- 3. Exemption of goods imported into free zone from outside Jordan from customs duties, import fees and other taxes or fees.
- 4. Exemption of buildings constructed therein from licensing fees and real estate taxes.
- 5. Freedom to repatriate capital invested and profits earned.

3.5 Transit rules

Jordan applies the principles of the international agreement for road transportation known as TIR. It also applies the principles of the Arab Transit Agreement signed on 14 March 1977. This agreement consists of the same principles as the TIR but sets ceilings on fees collected for services provided to Arab vehicles.

IV. Other policies affecting trade

4.1 Investment policy

4.1.1 The Encouragement of Investment Law No. 11 of 1987 (revised in 1988) accords generous incentives to domestic and foreign investors on an equal basis. For foreign investors the transfer of profits realized on foreign capital invested in the country, and the repatriation of foreign capital invested is guaranteed by the law. Interest earned by outside parties on credit facilities extended to the government of Jordan, or the Jordanian financial institutions are tax exempt.

If the project is designated as an "approved economic project", it is awarded the following:

1. Exemption from income tax and real estate taxes for five years.
2. Exemption of fixed assets from customs duties, import and other fees.

Moreover, regional offices enjoy exemptions from:

1. Registration and any other related fees.
2. Income and social services taxes on profits generated by the foreign company from business conducted outside Jordan.
3. Taxes on wages and salaries of foreign employees.
4. Customs duties and other fees and charges on samples and demonstration models, office furniture, one automobile for each foreign employee every five years.

4.1.2 The Arab and Foreign Investment Law No. 27 of 1992 regulates non-Jordanian investment. According to this law non-Jordanian investors can have full ownership of an enterprise if the investment is in industry, tourism, agriculture, housing or health. In other sectors Jordanian ownership of the project should not be less than 51 per cent.

In both cases the company will be registered as a Jordanian company. All that is needed from the investor is the following:

- Registering the project at the Directorate of Industrial Development in the Ministry of Industry and Trade (MIT), followed by;
- Submitting an application to the Controller of Companies at MIT.

The Controller of Companies then pursues the matter with the Council of Ministers for approval.

If the investor is establishing a branch of a foreign company, then authorization from the mother company for establishing a branch in Jordan and the name of the person authorized to sign on behalf of the mother company must be submitted with the application.

For a regional office, an application should be submitted to the Controller of Companies at MIT with the following documents, translated into Arabic and authenticated by a notary public in Jordan.

- Registration certificate of the company in its home country and its memorandum and articles of association which indicate its type, capital and objectives.
- A copy of the power of attorney by which a person resident in the Kingdom is authorized to deal with the company's affairs.
- A copy of its balance sheet for the last fiscal year in its home country and a statement showing its volume of business in the area, authenticated by a certified public accountant.

4.2 Industrial policy

Since August 1988, industrial policy in Jordan has become market oriented rather than development oriented.

The involvement of government bodies in industrial organization and supervision was lessened. The investment decision has become solely that of the entrepreneur himself. This is also true for the expansion and diversification of enterprises.

Privatization of enterprises which the government partially or totally owns is a declared policy. Studies on a case by case basis are being conducted.

The role of the Ministry of Industry and Trade in assisting and developing the industrial sector is as follows:

1. Developing an industrial services sector to cope with the increasing needs of the industrial sector.
2. Strengthening forward and backward industrial linkages.
3. Encouraging "package contracts" which serve several purposes namely, utilization of full capacities at existing enterprises and increasing trade opportunities, in local as well as export markets.
4. Promotion of industrial subcontracts and partnerships.

4.3 Agricultural policy

Agricultural policy in Jordan has four main objectives: (1) increased food self-reliance, (2) stimulating agricultural growth, (3) promoting balanced economic growth and equity; and (4) improved resource management and conservation. To achieve these objectives, the Government supports the farmer on different levels which are:

1. Retail prices of agricultural products (vegetables and imported meat) are set by a government committee (see section 4.4); whereas farm gate prices of fruits and vegetables, and wholesale prices of red and white meat are determined by market forces.
2. The Government, through its agencies such as the Jordan Cooperative Organization and the Agricultural Marketing and Processing Company, buys local production of some agricultural products such as wheat, barley, lentils, chickpeas and tomatoes, at subsidized or fixed prices.
3. Irrigation water is sold to farmers at subsidized rates.
4. All agricultural inputs are exempt from customs duties.
5. Agricultural income is exempt from income tax.
6. Exports of agricultural products are encouraged, whereas imports are regulated through the issuance of a quarterly plan which includes products and quantities that are allowed for importation based on market needs (see page 24, paragraph 3.2.2.4).
7. Agricultural credit is extended to farmers at interest rates lower than the prevailing market rate.

4.4 Pricing policy

Prices in Jordan are generally determined through the market mechanism. The Ministry of Supply, however, sets prices for nine commodities (listed in paragraph 3.2.2.3) that are imported by the private sector. For the most part, the government charges or allows commercial mark-ups.

The government sets distribution margins for 19 consumer goods produced in Jordan. The methodology for calculating the retail price is to determine the cost of production from field surveys and then allow a 17 per cent margin for performing the normal marketing functions of distribution, storage, and financing. In addition, a committee of government official, including officials from the Ministries of Agriculture, Supply and Industry and Trade, studies market conditions in the Amman Central Market for Agricultural Products and sets appropriate retail prices for these products. This is done on a daily basis and retail prices are published in local newspapers.

4.5 Subsidy policy

Subsidy policy has two objectives:

1. providing basic food stuffs at a stable price to preserve the standard of living of limited and low-income groups;
2. promoting investment in livestock to reduce dependence on imported red meats.

Based on this, the Government provided, in the past, consumer subsidies for thirteen basic commodities such as wheat, barley, rice, sugar, dried milk, frozen meats, olive oil. However, subsidies were not targeted in the past, thus reaching all groups of consumers and producers.

In the late eighties, the Government started reducing and targeting subsidies. Presently, only four basic items are being imported and subsidized by the Government: wheat, sugar, rice

and dried milk. The private sector is now allowed to import other previously-subsidized items and sell them at unsubsidized but fixed prices.

Targeting was achieved through the introduction of coupons which are now distributed only to families with a monthly income of JD 500 or less.

The Government also subsidizes barley and bran which are used as animal feed. These items used to be distributed through a quota (or coupon) system which has recently been cancelled.

As a result of the change in the subsidy policy, subsidies were reduced from about JD 90 million (for foodstuffs only) in 1989 to about JD 56 million (for foodstuffs and animal feed) in 1993.

4.6 Income tax system

The main features of the income tax law are the following:

1. The tax regime is based on annual self assessment.
2. Income tax is due on profits or gains earned or accrued in Jordan.
3. The following are exempted:
 - Welfare, cultural, educational, sports or health institutions and cooperative societies.
 - Land invested in agriculture or poultry, cattle, fish or bee breeding.
 - Capital profits earned on equipment, apparatus, land, real estate, bonds and shares.
 - Salaries paid to non-Jordanian diplomatic envoys.
 - Dividends of shares distributed by companies.
 - Salaries and wages paid by foreign companies registered in Jordan according to the Companies Law.
 - Interests due on deposits of persons and companies.
 - Patents, copyrights or rewards.
 - Income specified in agreements on preventing double taxation.
 - Income explicitly exempted by the Encouragement of Investment Law and by means of bilateral and multilateral agreements.
4. Disbursements and expenses are deducted from annual total income.
5. Losses are deducted from the taxpayers' total income from other sources of taxable income during the year and carried forward to the next year.

6. Partial exemptions are:
 - 25 per cent of salaries and wages of employees.
 - 10 per cent to 30 per cent of rents accrued from leasing building.
 - 100 per cent of income accrued from non-protocol exports.
7. The progressive tax on individuals ranges from 5 per cent to 45 per cent
8. The progressive tax on companies ranges from 30 per cent to 50 per cent according to type of activity.

4.7 State-owned enterprises

Jordan's economy is characterized by a strong private enterprise orientation. The state-owned sector is small consisting of public utilities and enterprises of strategic importance. State ownership takes two forms as follows:

1. Total ownership of agencies and corporations in sectors such as public transportation, water, energy and telecommunications. However, several activities have been opened up to private sector investment and national airline is under consideration for privatization.
2. Participation in public shareholding companies (publicly traded companies) in the industrial and services sectors. Most important of these are the Phosphate Mining, Potash and the Cement Companies.

V. Participation in bilateral trade agreements

5.1 Preferential trade arrangements

Jordan is a member of the multilateral agreement organizing trade among 17 Arab countries. Under this agreement, the following products are exempted from customs duties and taxes:

1. Agricultural and livestock products.
2. Raw materials.
3. Goods and products with 40 per cent value-added in the exporting country. This percentage could go down to 20 per cent if all inputs are imported from Arab countries.
4. Goods and products produced by joint Arab enterprises.
5. Any other good or product agreed upon.

Moreover, there are several bilateral agreements between Jordan and Arab countries. In general, 20 per cent to 100 per cent customs exemptions are granted to specific goods included in these agreements.

5.2 General System of Preferences (GSP) and EC quota

Under the generalized system of preferences scheme, developed countries give non-reciprocal preferential arrangement to products exported from developing countries. The preferential treatment takes the form of tariff cuts on a list of products that vary from one preference-giving country to another.

The GSP schemes have common features in the requirements for making use of the GSP. The most important requirement is the rules of origin. This is to ensure that the products benefiting from GSP are confined to products wholly obtained or have an import content but have undergone sufficient working or processing in the preference-receiving country.

Another important criterion is that the preference receiving country should notify the preference-giving country the name of the organization authorized to issue certificates of origin.

Jordan is eligible to benefit from GSP schemes and is found on the list of preference-giving countries.

The EC agreement with Jordan does not have any Quota Ceilings now. Jordan gets preferential treatment for some of its agricultural products. This preferential treatment takes the form of tariff cuts in certain periods of the year. It is worth mentioning that this agreement has been reviewed by GATT and was found to be consistent with the objectives and provisions of GATT.

VI. Institutional organization of foreign trade

6.1 Ministry of Industry and Trade

The Ministry of Industry and Trade supervises the formulation and execution of policy related to industry and trade based on the following principles:

- free mobility of capital,
- encouragement of private sector initiatives and activities,
- freedom of participation in all economic sectors.

The main duties of the Ministry are:

1. Implementation of the following laws:
 - Import/Export Law and the Import/Export By-Law
 - Encouragement of Investment Law
 - Arab and Foreign Investment Law
 - Companies Law
 - Intellectual Property Laws
2. Concluding trade and economic agreements and protocols.
3. Organizing trade fairs and exhibitions inside and outside Jordan.
4. Joining international trade organizations.

6.2 Ministry of Finance/Customs Department

The Customs Department consists of 16 directorates and 23 border centres and customs houses, out of which six are clearance houses. The Department's main responsibility is to administer the flow of goods across the borders according to the laws and regulations in force. It, thus, provides a major source of central government revenue reaching about 40 per cent of domestic revenue.

The main tasks of the Department's directorates are as follows:

1. Apply the customs duties to imported goods.
2. Administer the temporary entry and/or drawback facilities for exporters, diplomatic missions, regional offices and projects.
3. Implement bilateral and multilateral trade agreements.
4. Provide exemptions according to the law to such institutions as charity associations and beneficiaries of the Encouragement of Investment Law.
5. Collect the consumption tax (to be replaced by a general sales tax in 1994) imposed on imported as well as locally-produced goods.
6. Handle all violations of the Customs Law such as smuggling, fraud and false information.
7. Combat smuggling through specialized patrols.
8. Perform auditing checks of all customs forms.

6.3 Jordan Export Development and Commercial Centers Corporation (JEDCO)

JEDCO is an autonomous corporation equally owned by the Ministry of Industry and Trade, the Jordan Federation of Chambers of Commerce and the Amman Chamber of Industry. It is supervised by a Board of Directors comprising senior government officials, principals of the Kingdom's business organizations and leading industrialists. It has a General Manager appointed by the Board of Directors.

The Corporation executes on behalf of the Government the trade protocols and counter trade agreements. In addition, it promotes trade and, in particular, exports.

JEDCO's promotional activities include; publication of industry export directories, arranging participation at international and regional trade fairs, conducting inward and outward trade missions and the dissemination of trade inquiries, JEDCO maintains a database on all Jordanian exporting companies, its services cover access to trade related information that is essential to exporters wishing to take advantage of the international business opportunities. The promotion is also done through the nine trade centres located in Egypt, Iraq, Libya, Morocco, Oman, Russia, Sudan, Tunisia and Yemen.

6.4 Agricultural Marketing Corporation

The Agricultural Marketing Corporation is a government organization, established in 1987, to set agricultural marketing policies, regulate domestic markets and explore potential export markets for agricultural produce. Its major activities are as follows:

1. Publishing brochures and guidebooks for producers, exporters and foreign importers of agricultural products.
2. Facilitating participation of exporters in international fairs and exhibitions.
3. Collecting information and finding new export markets.

6.5 Private sector institutions

Several private sector institutions play an active role in promoting international trade. The most prominent among these are the following:

6.5.1 The Federation of Chambers of Commerce

The Federation of Chambers of Commerce was established in 1955. It is a non-profit organization that aims at promoting trade. It represents traders' views and participated in economic decision-making with a view to enhancing the role of the sector in economic activity.

6.5.2 Amman Chamber of Industry

The Amman Chamber of Industry was established in 1962 as a non-profit organization to provide an umbrella for the country's manufacturing firms. The Chamber serves as a forum for the views of the industrial sector with the aim of promoting economic development. It cooperates closely with the Ministry of Industry and Trade and other public entities, in sponsoring business missions abroad and organizing meetings with foreign business delegations in order to strengthen international cooperation, promote investment and trade exchange and encourage joint ventures.

6.5.3 The Jordanian Businessmen Association

The Jordanian Businessmen Association was established in 1985 as a private, independent, non-profit organization which aims at creating the appropriate climate for the private sector to operate. It represents the private sector's point of view and keeps an open dialogue with the Government to express these views especially regarding policies that the Government pursues or intends to pursue. It also serves its members by conducting studies and surveys, as well as providing technical assistance and information.

6.5.4 The Jordan Trade Association

The Jordan Trade Association (JTA) was established in 1989 as a private, independent, non-profit organization which aims at expanding, boosting and developing exports of goods and services produced by the Jordanian private sector. It also aims at providing the suitable climate for exchange of ideas among Jordanian businessmen in the field of exports. JTA provides its members with information on export markets, international trade laws, required technical specification and prices of products in export markets. It also establishes channels of communication and exchange of information with foreign and local specialized consultancy bodies.

6.5.5 Agricultural Marketing and Processing Company

The Agricultural Marketing and Processing Company is a private company owned by the Jordan Investment Corporation, the Social Security Corporation and the Agricultural Credit Corporation. The company owns and operates processing plants for tomatoes and citrus fruits. It also markets agricultural produce both domestically and internationally.

VII. Intellectual property protection

7.1 Industrial property

All elements of industrial property are handled by one office in the Directorate of Commercial Registration and Industrial Property/Ministry of Industry and Trade.

The first legislation concerning industrial property protection in Jordan was enacted in 1930 (Jordanian Law on Trademarks). Presently the following laws are in force:

- Trademarks and Merchandise Marks Law No. 19 for the year 1953.
- Patents and Designs Law No. 22 for the year 1953.
- Trade Name Law No. 30 for the year 1953.

Informal relations exist between the Jordanian Patent Office, the Royal Scientific Society, Jordanian Universities and concerned ministries such as the Ministry of Health. The office performs all functions related to industrial property for the protection of the rights of property and the promotion of fair competition. It has started documenting licensing agreements, transfer of technology contracts and trademark licences, as well as, following up on payments of agreed fees.

Jordan is a member of the World Intellectual Property Organization (WIPO), and has been a signatory to the Paris Convention for the Protection of Industrial Property (Stockholm Act) since 1972.

7.2 Copyright

The Ministry of Culture implements the Copyright Law No. 22 for the year 1992. This Law protects all forms of original work in arts, literature, technology and sciences.

More specifically, copyright protection covers the following:

- Books, brochures and all forms of written materials.
- Lectures, speeches and all forms of spoken materials.
- Plays, musicals, pantomime and all forms of drama.
- All audio-visual materials.
- All forms of art such as painting, photography, sculpture and architecture.

- Maps, plans and all forms of explanatory materials.
- Computer software.

The first legislation was enacted in 1912 in accordance with the Ottoman Law on Copyright for the year 1911.

Jordan is a party to the Arab Copyright Treaty and a member of UNESCO.

The Jordanian Government is considering joining international agreements such as the Madrid Trademarks Agreement, the Nice Agreement concerning the international classification of goods and services for the purposes of registration marks, and the International Copyright Agreement supervised by UNESCO.

ANNEX 1

Goods for which the Tariff Rate is above 50 Per Cent

1. Nuts
2. Confectioneries, chocolates and biscuits
3. Tomato paste and sauces
4. Mineral water and artificial juices
5. Alcoholic beverages
6. Tobacco and tobacco products
7. Marble, granite and other building stones
8. Cosmetics and perfumes
9. Cinema films
10. Wallpaper and carpets
11. Statues, artificial flowers and other ornaments
12. Hand-woven tapestries
13. Garden umbrellas
14. Tiles and architectural ornaments
15. Air conditioners and parts
16. Electrical heating apparatus
17. Telephones and telegraph machines
18. Televisions, video recorders, cameras and parts
19. Magnetic and optical recording media
20. Passenger cars, cargo motor vehicles and caravans
21. Chassis
22. Photographic recording equipment
23. Massage tubs and jacuzzis
24. Lighting equipment

ANNEX 2

List of Relevant Regulations and Statistics

- A. Laws, Regulations and Instructions** (Available in Arabic unless otherwise specified)
1. Law Regulating Arab and Foreign Investments (English translation available)
 2. Encouragement of Investment Law (English translation available)
 3. Customs Law
 4. Imports and Exports Law
 5. Imports and Exports Regulation
 6. Standards and Measurements Law
 7. Regulation for the Establishment of the Investment Promotion Department (English translation available)
 8. Instructions for importation
 9. Instructions for transit
 10. Instructions for duty drawback
 11. Instructions for temporary entry
- B. Major Economic Statistics**
- C. Summary of the Tax System in Jordan**

ANNEX 3

List of Bilateral Agreements Between Jordan and Other Countries

A. Foreign Countries

1. Agreement on Economic and Technical Cooperation between Jordan and Belgium
2. Agreement on Economic and Technological Cooperation between Jordan and Bulgaria
3. Trade Agreement between Jordan and People's Republic of China
4. Trade Agreement between Jordan and Republic of China
5. Trade Agreement between Jordan and Greece
6. Long-Term Trade Agreement between Jordan and Hungary
7. Trade and Economic Agreement between Jordan and India
8. Trade and Economic Agreement between Jordan and Indonesia
9. Trade Agreement between Jordan and North Korea
10. Trade Agreement between Jordan and South Korea
11. Trade Agreement between Jordan and Pakistan
12. Long-Term Trade Agreement between Jordan and Poland
13. Trade Agreement between Jordan and Portugal
14. Trade Agreement between Jordan and Romania
15. Trade Agreement between Jordan and Spain
16. Trade Agreement between Jordan and Sri Lanka
17. Trade and Economic Agreement between Jordan and Switzerland
18. Trade Agreement between Jordan and Turkey
19. Trade Agreement between Jordan and Brazil
20. Trade Agreement between Jordan and Ethiopia
21. Trade Agreement between Jordan and Australia
22. Trade Agreement between Jordan and Denmark
23. Trade Agreement between Jordan and Finland
24. Trade Agreement between Jordan and Austria
25. Economic Agreement between Jordan and the EC

B. Arab Countries

1. Trade and Economic Agreement between Jordan and Bahrain
2. Trade Agreement between Jordan and Tunisia
3. Trade and Economic Agreement between Jordan and Saudi Arabia
4. Trade Agreement between Jordan and Sudan
5. Trade and Economic Agreement between Jordan and Syria
6. Trade Agreement between Jordan and Somalia
7. Trade and Economic Agreement between Jordan and Egypt
8. Trade Agreement between Jordan and Qatar
9. Trade and Economic Agreement between Jordan and Lebanon
10. Trade Agreement between Jordan and Libya
11. Trade Agreement between Jordan and Morocco
12. Trade and Economic Agreement between Jordan and Yemen
13. Trade and Economic Agreement between Jordan and Oman
14. Trade and Economic Agreement between Jordan and Kuwait
15. Trade and Economic Agreement between Jordan and Iraq