SUMMARY

1. At the time of the last Trade Policy Review of Jordan in November 2008, Jordan was affected by the ongoing unrest in Iraq and the onset of the global financial crisis and, since 2011, it has been affected by the civil war in Syria. The combined effect of these factors has disrupted trade, reduced investment, and greatly increased the number of refugees in the Kingdom. However, despite these problems, the economy has been very resilient and economic growth averaged nearly 3.5% annually from 2008 to 2014 and imports and exports of both goods and services have increased.

2. Jordan has a deficit in trade in goods, with exports of US$8.4 billion and imports of US$22.7 billion in 2014, but it has a surplus in trade in services plus remittances from Jordanians working abroad which reduce the deficit on the current account to US$2.4 billion, although this fluctuates from one year to the next. The main exports are chemicals (which are mainly phosphate-based fertilizers) and the main services-related inflows are workers' remittances and travel.

3. Over the past seven years, Jordan has been actively working to increase its network of regional trade agreements with those with Canada and Turkey coming into force in 2012 and 2011 respectively. In addition, full implementation of several agreements already in force in 2008 was completed (EFTA in 2014, the EU in 2013, Singapore in 2014, and the United States in 2010). However, as Jordan exports are concentrated in a relatively narrow range of goods, the initial benefits of these agreements have been limited.

4. To simplify business procedures and improve investment climate, a number of trade and investment related legislation was revised or amended, including the Customs Law (amended in 2012), Investment Law (2014), Income Tax Law (2014), Competition Law (2011), and Public-Private-Partnership Law (2014). In particular, under the Investment Law No. 30 of 2014 all the government agencies responsible for different aspects of investment were brought under one agency, which has simplified investment procedures. However, although foreign and domestic investors are treated equally in most ways, differences remain in restrictions on land ownership, minimum capital requirements, and some sectors have foreign equity restrictions of 49-50% (including construction, wholesale and retail trade, international trade, and several services sectors). Furthermore, foreign investment is prohibited in a number of areas including road transport, and real estate services.

5. Customs procedures have changed significantly since 2008 with the introduction of single-window procedures starting in 2009, full implementation of ASYCUDA WORLD in 2010, and improvements to the system of preferred operators. As a result, the time and cost (in real terms) of importing and exporting have been reduced. On the other hand, applied tariffs have not changed greatly since 2008 with the 2015 simple average of 10% - although they still remain below the bound rates which have a simple average of 16%. Agricultural products have both the highest tariffs (average 17%) and the greatest variation (standard deviation 27), with particularly high rates of up to 200% for some products in the category of beverages, spirits, and tobacco. Import prohibitions and non-automatic licensing are applied mainly for health, safety, security, or environmental reasons, to implement UN Security Council resolutions, or to protect public order and morals, and the conservation of natural resources.

6. The laws relating to standards, technical regulations, and conformity assessment procedures were not changed during the review period although, as at end-August 2015, amendments were waiting for approval by the Senate. These amendments are designed to clarify the responsibilities of economic operators and to introduce a conformity mark. Only about 50% of Jordanian standards are equivalent to international standards although, in some cases, this is because there are no applicable international standards.

7. Jordan is an observer to the Agreement on Government Procurement. Different systems of government procurement are applied by different government agencies and regulated under a number of laws, which makes the overall situation complicated. Furthermore, foreign equity restrictions on construction and contracting firms also act to limit access to government procurement contracts.

8. Export fees are applied to exports of a range of mining and quarrying products, manufacturing products, and agricultural products. Export restrictions are applied only to meet international obligations. An exemption from income tax on profits generated from exports was to be phased-out by end-2015, but Jordan has requested an extension to the phase-out period on the grounds that the industrial sector needs more time to adjust to the ongoing regional crises which have affected the cost of doing business.

9. The complex systems of free zones, development areas, and industrial estates was simplified by a 2010 amendment to the Development Areas Law which merged the administration of these zones into a single agency, the Jordan Investment Commission, while the Aqaba Special Economic Zone remains under a separate authority. Different zones provide a variety of incentives for investment including reduced fiscal and customs requirements and relaxed ownership restrictions. The use of Qualifying Industrial Zones has declined to a residual level. QIZs were set up to support exports of goods to the United States produced in Jordan and Israel, but manufacturers now find it easier to export to the US market under the Jordan-United States free trade agreement.

10. Since 2011, the Government has liberalized prices for most bakery products. However, the Ministry of Industry, Trade and Supplies is responsible for importing and purchasing domestically produced wheat and barley which it supplies to domestic bakeries. Flour for bread is sold to bakeries at subsidised prices and bread made from this flour is sold to consumers at fixed prices. Price controls are also applied to electricity, water, car insurance, postal services and public transport services.

11. The State privatised a number of state-owned enterprises under the Privatisation Law of 2000. This Law was appealed and replaced in 2014 by the Public-Private-Partnership Law. A number of undertakings remain under public ownership, among these some utilities enterprises, such as the National Electrical Power Company (NEPCO), make significant losses which add to the fiscal deficit.

12. Jordan submitted its instrument of acceptance of the Protocol Amending the TRIPS agreement in 2008, and notified the adoption of implementing legislation which incorporated the Paragraph 6 System into domestic law in 2013. Since 2008, Jordan has amended a number of IPR related legislation such as those related to trademarks and copyrights. Although Jordan has a comprehensive set of laws on intellectual property, enforcement is recognized as a problem which is being addressed through training and public awareness campaigns.

13. Agriculture represents a relatively small part of Jordan's economy and faces many constraints relating to the dry climate, lack of irrigation water, and small size of farms. Although Government policy stresses the importance of efficient use of water, irrigation for agriculture accounts for over two thirds of water used in Jordan and water is supplied to agricultural producers at prices that do not cover the cost of supply. Production of wheat and barley are also supported through minimum prices which vary from one year to another, while sheep and goat producers get subsidised feed barley.

14. Electricity production in Jordan was affected by the end of natural gas supplies from Egypt, which were responsible for 80% of electricity, and replaced by higher priced oil. The State is extensively involved in the electricity sector through full or partial ownership of several generating plants, and full ownership of NEPCO which owns and operates the transmission network. In 2014 NEPCO bought electricity at an average price of US$0.20 per kWh and sold it for an average price of US$0.15 per kWh and had accumulated government guaranteed losses of JD 4.6 billion, which are government guaranteed. In response to these losses a new Government strategy is overhauling the electricity tariff system, seeking cheaper sources of energy, limiting demand, and reducing line losses.

15. Jordan's main goods export is potash and potash-related products like fertilizers. The mostly state-owned Jordan Phosphate Mines Company Ltd has exclusive rights for mining phosphate, the state-owned National Petroleum Company has exclusive rights for natural gas and crude oil, and the partly state-owned Arab Potash Company has exclusive rights to exploit, manufacture and market mineral resources from the Dead Sea. Exploration and exploitation rights in other areas are

open to private companies, including foreigners through agreements with the Natural Resource Authority or, since 2014, the Energy and Minerals Regulatory Commission.

16. Despite the turmoil in some neighbouring countries and the impact on Jordan's economy, the financial sector remains stable, efficient, and profitable. Furthermore, competition has increased as three new banks were granted licences in 2009 while the Central Bank of Jordan has continued to develop regulations and improve prudential requirements.

17. As home to many religious and cultural sites, tourism is very important to the economy and employment. Although receipts from tourism increased considerably from 2011 to 2014 the number of tourist arrivals declined slightly over the same period. Furthermore, in the first quarter of 2015 both receipts and arrivals fell sharply due to the escalating crises in Syria and Iraq.

18. Before and during the period under review Jordan has been affected by severe exogenous shocks that have led to large numbers of refugees fleeing to Jordan, disrupted trade routes, and affected inward investment. Despite these problems, Jordan has maintained an open economy with the value of trade in goods and services (imports and exports) greater than GDP, the economy has grown and reforms to improve the trade and investment climate have continued. Although many state-owned enterprises were privatised in the 1990s and early 2000s, the state continues to own or control several important enterprises, some of which make losses, particularly the electricity and water companies. These losses, along with the cost of bread subsidies, impose a considerable fiscal burden. The authorities are taking steps to reduce the burden and improve the efficiency of support to low-income households which they have done already in other areas, by replacing fuel subsidies with direct income support. Other areas which may deserve attention by the authorities include the foreign ownership and investment restrictions and equity requirements that affect investment in different sectors and may reduce foreign investment.