SUMMARY

1. This is the third Trade Policy Review of Jordan. During the period under review (2016-22), Jordan undertook important changes to its trade and investment regimes, including through a tariff reform and a new investment framework (see below). Over the same period, real GDP growth averaged 1.6% despite having, in 2020, the country's first economic contraction in more than three decades largely due to the pandemic, which significantly disrupted most economic activities, notably exports and tourism.

2. Jordan has one of the world's highest levels of workers' remittances and public grants (around 11% of GDP). Jordan's key structural challenge is to reduce its high unemployment rate, particularly among young female workers. In this regard, the National Strategy for Women 2020-2025 is being implemented. Other structural challenges that have constrained Jordan's sustainable development include stagnant productivity growth, labour market imbalances, and reliance on a few industries. Moreover, regional instability has cut off important trade corridors, leading to a significant drop in exports and a sharp increase in energy costs from imported fuels. The economy is also particularly vulnerable to the risks posed by climate change. To deal with this, Jordan's first Climate Change National Adaptation Plan was launched in 2021.

3. During the pandemic, fiscal and monetary policy measures were introduced to support the economy. According to the IMF, Jordan's peg to the US dollar, backed by adequate international reserves, has served as an effective anchor for macroeconomic stability. Annual inflation averaged 1.9% between 2016 and 2022, although it increased to 4.2% in 2022 due to rising fuel and food prices. Jordan has broadened the tax base and reduced tax evasion. This, together with measures to contain non-priority expenditures, created space for social and capital spending during the pandemic. Nonetheless, Jordan had persistent fiscal deficits during the review period. In the IMF's view, the authorities are making progress towards critical fiscal structural reforms, such as including through a major customs reform over 2022-2028.

4. In October 2020, the Government's Economic Priorities Program 2021-23 (EPP) was introduced, with three main objectives: enabling the private sector to create jobs for Jordanians; stimulating local and foreign investments; and increasing national exports of goods and services. The EPP is based on three pillars: improving the business and investment environment; enhancing competition and increasing employment; and supporting priority sectors (tourism, IT, agriculture, and industry).

5. In June 2022, Jordan's Economic Modernization Vision was announced, aiming to enhance, over a 10-year period, growth, and quality of life by creating one million new jobs; improving Jordan's ranking on global competitiveness, environment, prosperity, and sustainability indexes; and expanding into high value-added service and industrial sectors.

6. Traditionally, Jordan has run current account deficits reflecting a long-standing structural savings-investment imbalance financed by overseas borrowing. This deficit averaged 7.4% of GDP between 2016 and 2022, fuelled by a large foreign trade deficit arising from imports of intermediate goods and high dependence on energy products. The capital and financial account, which traditionally finances the current account deficit, was also impacted by lower tourism and remittance receipts during the pandemic.

7. Because of Jordan's limited agricultural land and lack of oil resources, international trade plays an important role in its economy. Jordan's main goods exports are potash and potash-related products like fertilizers. During 2016-22, the chemical products industry increased their share in total merchandise exports. Jordan's largest single export destination is the United States, due mainly to exports of clothing (a quarter of total merchandise exports). The largest single import category continues to be fuels, although its share decreased over the review period. About half of total merchandise imports come from Europe and the Middle East combined.

8. Annual FDI inflows declined from around USD 1,800 million in 2016-17 to USD 768 million over 2018-21, recovering somewhat to USD 1,139 million in 2022. To promote larger FDI and reduce red tape/cost of doing business, the new Ministry of Investment (MOIN) was created in 2021 to replace the Jordan Investment Commission. Also, the new Investment Environment Law No. 21

of 2022 entered into force. Nonetheless, foreign investment is still prohibited in certain sectors, and some (e.g. air transport and other services) have equity restrictions of less than 50%.

9. Jordan participates actively in the WTO, having submitted several notifications during the review period. As of June 2023, Jordan had 20 outstanding notifications, notably in agriculture (its latest notification refers to 2014) and has not yet submitted any notification under the GATS. Jordan has never participated in dispute settlement proceedings at the WTO. Jordan is a signatory to the ITA and an observer to the GPA.

10. Jordan has 7 regional trade agreements (RTAs) in force with 52 economies. During the review period, Jordan signed a new RTA with the United Kingdom and terminated its FTA with Türkiye.

11. In January 2022, the Cabinet approved a major customs reform over the period 2022-28. According to the IMF, the reform is expected to reduce tax evasion and corruption, but also to lower customs revenue by 0.3% of GDP in the near term due to a lower average tariff. The simple average applied MFN tariff decreased from 10.2% in 2015 to 4% in 2023. The average rate for WTO-defined agricultural products in 2022 was 8.8% (down from 16.8% in 2015), and 3.3% for non-agricultural goods (WTO definition) (against 9.1% in 2015). All tariff lines are bound, with a simple average bound tariff rate of 16.3% overall; 24.1% for agricultural products (WTO definition); and 15.2% for non-agricultural products (WTO definition).

12. Jordan ratified the TFA in 2017 and amended its Customs Law in 2018 according to the TFA provisions. Almost all TFA provisions have been implemented. As provided for in the Amendments, Jordan abolished the consularization requirements for import invoices; the Amendments also allow for pre-arrival processing for customs procedures. Jordan began implementing the single window for customs procedures and advance ruling on classification and origin.

13. During the review period, Jordan reformed its tax and incentive system, with the aim of reducing the tax burden and stimulating the economy; the income tax incentives related to merchandise export performance were terminated on 31 December 2018. Taxes on international trade collected at the border from imports accounted for around 25% of total tax revenues each year on average. With these changes, tax incentives are now offered not only to firms operating in free zones and development zones, but also to firms across Jordan. Non-tax incentives (e.g. discounts on public land rent, energy, and water) are available for firms employing at least 50% of women in their work force.

14. The Jordan Petroleum Refinery Co. Ltd (JPRCL) and the Jordan Phosphate Mines Co. Ltd (JPMC) are state trading enterprises. The JPRCL has exclusive rights to import crude oil and hydrocarbon products for local use, while the JPMC has exclusive rights to import, store, and sell explosive materials used for mining and quarrying purposes. The JPMC also has exclusive mining rights over phosphates for four mines in Jordan. In addition, exports of raw hides and manufactured leather are restricted to the Jordan Tanning Company; Portland cement to the Jordan Cement Factories Company; and mineral extracts (e.g. stone, sand, gypsum, and clay derivatives) to the Natural Resources Authority.

15. Jordan modernized its government procurement framework with the entry into force of Government Procurement Regulation No. 8 of 2022. It established a unified public procurement system, and enhanced transparency and accountability of the procurement regime. Rules set out in the Regulation are applicable to all government entities, as well as public institutions including SOEs.

16. Jordan has recently improved its patent protection regime to align its international obligations and to encourage invention. Patents are protected for 20 years and industrial designs for 15 years. There are no specific provisions on utility models. Trademarks, including well-known marks, are protected for renewable periods of 10 years. Geographic indications are protected under the principle of collective marks. Most patent and trademark registrations are filed by applicants outside Jordan.

17. Agriculture and related activities contributed 5.3% to Jordan's GDP in 2022. The National Agricultural Development Strategy 2020-2025 aims at increasing agricultural GDP by around 40% over the period. The sector faces many constraints relating to the small size of farms, the dry climate, and the lack of irrigation water. The goals of the National Water Strategy 2023-2040 are to provide irrigation water and reduce the use of freshwater as irrigation water. Import licences are required

for a number of agricultural goods and foodstuffs. Some goods, particularly food from cereals, are subject to price controls and are subsidized by the Government, which also applies measures to support domestic producers of wheat and barley.

18. Mining and quarrying accounted for 3.1% of Jordan's GDP in 2022. During the review period, there was a large increase in total revenues of both extractive industries (notably phosphate and potash) and manufacturing mining industries (e.g. cement), and in the share of mining exports to total exports. This has been partly the result of the Government's exploration programmes for mineral ores, focusing on the added value of national strategic minerals. A new natural resource law was enacted in 2018 to regulate mining activities, aiming at natural resources development and their sustainable exploitation.

19. Jordan imports 84% of its total energy needs, mostly crude oil and gas. The Master Strategy for the Energy Sector 2020-2030 calls for a sustainable future energy supply, diversification of the national energy mix, increased dependency on the share of domestic energy resources, enhanced energy security, and reduced energy dependence and cost of electricity supply. The State is extensively involved in the electricity sector through full or partial ownership of several generating plants, and full ownership of the National Electric Power Company (NEPCO), which owns and operates the transmission network. A new electricity tariff system was implemented, reducing cross-subsidization. It is designed to be revenue neutral for NEPCO, and to reduce electricity tariffs for key business sectors and reform the household tariff system in a progressive manner.

20. The services sector remains the main contributor to GDP, with a share of about two thirds. In the IMF's view, the banking subsector has remained healthy despite the pandemic. The Central Bank of Jordan (CBJ) has strengthened its prudential supervision of the financial sector. In June 2021, the supervisory responsibilities of the insurance sector were transferred to the CBJ. The telecom and transport sectors' shares of GDP in 2022 were 3.5% and 5.3%, respectively. As Jordan is home to many religious and cultural sites, tourism contributes 12.2% to GDP and employs about 3.0% of the total workforce. Under its Tourism Strategy 2021-2025, Jordan aims to lessen the impact of the pandemic and double the number of tourists and revenues by 2025.