TRADE LIBERALIZATION AND FOREIGN INVESTMENT IN JORDAN

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Working Paper 9611

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* Paper presented at the ERF workshop on "Trade Liberalization and Foreign Investment" that was held in Istanbul on 16-18 September 1995.

Abstract

This paper discusses trade reforms adopted by Jordan since the severe economic crisis it experienced in 1988. These reforms gained momentum in the early 1990s, and in accordance with Jordan's request to join the GATT/WTO, tariff and non-tariff barriers have been reduced gradually. Accompanying these reforms were attempts at reforming investment regulations to attract more foreign investments, improving export incentives and initiating institutional reforms in various areas to promote the industrial sector and to support the shift from an import substituting strategy to an export-oriented one. Nevertheless, the reforms have not, as yet, achieved their aforementioned goals. The paper, therefore, concludes that Jordan should intensify its efforts in both trade and investment by enhancing domestic producers' competitiveness through market forces. The faster implementation of its liberalization program, the adoption of more trade liberalization, and the expediting of the process of reforming foreign investment legislation will enable Jordan to achieve its ultimate goal of moving from import-substitution to export promotion.

ملخص

تبحث هذه الورقة في الاصلاحات التجارية التي يتبناها الأردن منذ تعرضه للأزمة الاقتصادية في عام ١٩٨٨. وقد تركز الجهد لتطبيق هذه الاصلاحات في بداية التسعينات. وتمشياً مع طلبه للانضمام إلى عضوية الجات ومنظمة التجارة العالمية في عام ١٩٩٣، أخذ الأردن في تخفيض رسومه الجمركية وتقليص قيوده غير الجمركية تدريجيا، كما واكب هذا محاولات لاصلاح أنظمة الاستثمار لجذب المزيد من الاستثمارات الأجنبية، وتحسين حوافز التصدير، وتنفيذ اصلاحات مؤسسية مختلفة لتنمية القطاع الصناعي، وذلك بهدف دعم تبني استراتيجية تنمية الصادرات بدلاً من احلال الواردات. ولكن الاصلاحات التجارية لم تحقق الأهداف المرجوة منها حتى الآن. لذا فإن الورقة تستنتج أنه يجب على الأردن أن يكثف جهوده في مجالي التجارة والاستثمار عن طريق تعزيز المقدرة التنافسية للمنتجين المحليين من خلال قوى السوق. ومن شأن تنفيذ البرنامج الحالي لتحرير التجارة بشكل أسرع، وتبني مزيد من الاجراءات لتحرير التجارة، والاسراع في عملية تصحيح قوانين الاستثمار الأجنبي أن يمكّن الأردن من تحقيق الهدف الرئيسي المتمثل في التحول من استراتيجية احلال الواردات إلى استراتيجية تنمية الصادرات.

CONTENTS

INTRODUCTION

Since the severe economic crisis which Jordan experienced in 1988, a relatively, liberalized trade policy has been implemented. This has been a major component of two macroeconomic structural adjustment programs that were adopted in cooperation with the IMF and the World Bank. The trade regime reform gained momentum in the early 1990s; and concurrent with Jordan's 1993 request to join the GATT/WTO tariff and non-tariff barriers were reduced gradually. This was accompanied by attempts to reform investment regulations to attract more foreign investments, improve export incentives and initiate institutional reforms in various areas to promote the industrial sector and to support the shift from import substitution towards an export-oriented strategy.

In light of these developments, this paper makes an attempt to answer several questions mainly:-

a) How has the restrictive trade policy on imports, exports and foreign exchange been reformed?

b) How have foreign investment policies been reformed ?

c) Have these reforms achieved their goal of liberalizing the economy to the level necessary to enable a shift to an export-oriented strategy ?

d) What are the regional trade arrangements that Jordan will encounter after it has achieved peace with Israel and concluded a trade agreement with the Palestinians ?

e) What are the implications of GATT/WTO membership for Jordan ?

f) What are the additional trade policy reforms that should be adopted to further liberalize the economy and, in turn, to ensure a successful shift towards an export-led growth policy?

The analysis in this paper will, thererfore, be carried out in seven sections, namely: recent economic developments, merchandize trade performance, trade liberalization regime, foreign investment regime, regional trade arrangements, implications of GATT/WTO membership and policy recommendations. [1]

1 - RECENT ECONOMIC DEVELOPMENTS

Jordan has consistently pursued a relatively liberal economic policy which has reflected on various macroeconomic factors including trade and investment. However, with the availability of foreign reserves in the 1970s and early 1980s, particularly from workers remittances and Arab assistance, the Government's role in economic activities expanded. The Government regulatory intervention was elaborated in all spheres and sectors including exports, imports, counter trade,

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[1] The first four sections of this paper draw on an extended paper by Dr. Tayseer Abdel-Jaber and Dr. Mohamed Amerah entitled "Trade Regime and Trade Patterns in Jordan", presented in a meeting on "Towards Free Trade in the Middle East: The Trial and Beyond" held at the Institute for Social and Economic Policy in the Middle East, Kennedy School, Harvard University, Cambridge, USA in August 1994. Section five draws on a paper by the author entitled "Potential Trade Cooperation Among Jordan, Palestine and Israel", presented in the conference on "Promoting Cooperation in the Middle East" held by the Institute of Global Conflict and Cooperation in Vouliagmeni, Greece, Nov. 4-7, 1994.

adjustment program led to positive developments in the main economic indicators. The Government pursued a strict fiscal policy emphasizing the generation of local revenues and the constraining of public expenditures. The shift in economic policy became quite obvious after the lapse of the interrruption caused by the Gulf Crisis and war. Accordingly, real GDP rebounded by 16.1% in 1992 as a result of buoyant activity in the construction, manufacturing, transport and communications, and agricultural sectors.

Since 1992 the Jordanian economy has achieved significant improvement in economic performance. Real GDP grew by 5.8 % and 5.7% in 1993 and 1994, respectively. This was attributed to the contribution of most economic sectors, mainly industry, mining, transport and communications. It has to be mentioned that the achieved level of growth in 1994 had exceeded the five year plan target of 5.6%.[2] The strict fiscal policy which led to attaining an overall surplus in 1991-1994, was supported by a tight monetary policy and prudent exchange rate management. Thus external public debt declined due to reduction and rescheduling (from 228.8% of GDP in 1989 to 108.1% in 1994). Official reserves accelerated and the exchange rate of the Jordanian dinar stabilized. Also the foreign trade performance somewhat improved reflecting a drop in the trade deficit in 1994 for the first time in several years, as will be discussed in the following sections.

2- MERCHANDIZE TRADE PERFORMANCE

The Jordanian economy has been suffering from a chronic trade deficit of an increasing magnitude as commodity imports have substantially surpassed visible exports. This has been a result of Jordan's relatively narrow export base and its heavy reliance on imported consumer goods and energy products. The economy's structural characteristics and its level of development, along with Jordan's political and economic relations have, to a large extent, determined the sources of imports and destination of exports. Merchandize trade deficits have been financed by remittances of Jordanians working abroad, official grants from neighbouring Arab-oil exporting countries, external borrowing and a considerable drawdown of foreign exchange reserves.

Jordan's external commodity trade has been expanding rapidly. Apart from 1991, external trade (imports and domestic exports) grew, on average, by about 19.4% annually during 1988-1994, Table (2). While there was a substantial decline in foreign trade due to the Gulf crisis in 1991 and its aftermath, this sector recorded a remarkable recovery in 1992 as trade grew by 23.3%. This achievement was mainly a result of the notable performance of various economic sectors and population growth caused by the Jordanian returnees from the Gulf States. Imports and domestic exports accounted for 93.5% and 6.5% respectively, of the total expansion in foreign trade in 1992. However, external trade grew by 10.4% and 3.6% in 1993 and 1994 respectively, due to the slowdown in the growth of imports in 1993 and their notable decline in 1994, as will be discussed in the following paragraphs.

[2] Ministry of Planning: Economic and Social Plan 1993-1997, (Amman, Jordan), 9 104.

detergents and soap, plastic porducts, cloths, diary products and eggs, and fodder . However, the decline of these exports by 7.7% in 1994 was atributed mainly to the drop in the exports of food and live animals, cloths and plastic products by 34.8%, 2.2% and 25.3% respectively [5].

Exports of capital goods have had a relatively small share in total domestic exports. However, after a decline of 42% in 1991 they continously increased to record a growth of 36% in 1994, Table (3). Machinery and transport equipment have constituted the bulk of these exports. It has to be stated, however, that despite the efforts to diversify industrial production, there is still a high degree of commodity concentration in domestic exports.

The preveailing economic conditions and political stability in the Arab region have influenced, to a large degree, the destination of Jordan's exports. Nevertheless, Arab countries have remained the main market for Jordanian products. Due to the Gulf crisis the share of Arab countries in total exports declined from 42% in 1988 to 28.8% in 1991, followed by gradual recovery to reach 42.5% in 1994, Table (4). Reflecting this fact, the share of Iraq in total exports dropped from 19.9% in 1988 to 7.7% in 1992 before incrasing to 13.3% in 1994. At the same time, Saudi Arabia's share fell sharply from 9.6% in 1988 to 1.8% in 1991, followed by a remarkable recovery to reach 10.4% per annum over 1992-1994. Although India's share in total exports decreased from 18.3% in 1991 to 11.1% in 1994; it came second in place, i.e, after Iraq. Exports of phosphate and fertilizers composed the highest portion of Jordan's exports to India, while vegetables, fruits, pharmaceuticals and other food stuffs accounted for the bulk of exports to Iraq. However, the direction of domestic exports still reflects a relatively high degree of geographical concentration.

2-2 Imports

Jordan's structural characteristics, level of development and narrow production base have resulted in its heavy dependence on commodity imports, leading to relatively high ratios of imports to both exports and GDP, Table (2). With the exception of 1991 due to the Gulf Crisis, imports in Jordan have been on the increase since mid-1980's. After a decline of 0.9% in 1991, they achieved a remarkable growth of 29.4% in 1992 and of 10.8% in 1993 before decreasing again by 3.7% in 1994, Table (2). Their substantial growth in 1992-1993 was a result of the general economic recovery in all economic sectors brought about by the population growth in Jordan caused by the returnees and their investments. By contrast, the sharp drop in imports in 1994 was a result of the dwindling domestic demand for certain industrial products along with the rise in the prices of many commodities in the international market.

As for the commodity composition of imports, consumer goods have accounted for about 36% of total imports per annum over 1988-1994. With the exception of 1994, they have been on the rise since 1988. Their sharp decline by 16.3% in 1994 was a result of the aforementioned factors, Table (3). Foodstuff and manufactured consumer goods have constituted the bulk of these imports, reflecting the country's inability to produce its requirements of these goods.

[5] Ibid, p.62.

3-1 Import Policies

Jordan's import regime was substantially restrictive and characterized by high tariff and nontariff barriers in the 1980s. This was a reflection of the import substitution strategy and high protection which led to considerable anti-export bias. Since late 1988, there has been a notable change in the direction of trade liberalization through the gradual reduction of tariff and nontariff import restrictions.

3-1-1 Tariffs

Tariff duties in Jordan have had three purposes, namely, to protect import substituting industries, to raise government revenues, and to influence domestic savings and consumption. The main objectives of the tariff reform program that was initiated in late 1988 were to have a more uniform tariff regime while at the same time ensuring revenue neutrality. This is to be achieved by increasing the level of the lowest tariffs and decreasing the level of the highest tariffs, and in turn, to reduce the discriminaion implied by a more differentiated tariff structure. Therefore, tariffs on certain consumer and intermediate goods have been reduced, while increased on luxury imports on several occasions since 1990. Although so far, the tariff reform has resulted in a more uniform tariff regime it still has significant distortions as the overall tariff level and the degree of tariff differential offered to various products and industries have not been reduced as much as desirable. Also, over half of total imports still enjoy some form of exemption despite the tariffs imposed on them [7].

As for tariff rates and surcharges, Table (6) shows that the manufacturing sector had an average tariff rate of 17.9% which was higher than that for the agricultural and mining sectors in 1993. The tariff rate on consumer goods (24.9%) was almost triple that on intermediate goods and slightly higher than that on capital goods. The highest tariff rate was for beverages (103.9%), while the lowest rate was for petroleum and coal products. Import surcharges ranged between 20.2% for wearing apparel and leather products, and 11.3% for printing and publishing items.

These tariffs and surcharges have shaped the nominal tariff protection structure. Nominal tariff protection is lower for mining (22.2%) and agriculture (23.7%) than it is for manuracturing (34.3%). At the same time, it is lower for intermediate goods (23.4%) and capital goods (37.9%) than it is for consumer goods (42.7%). As seen in Table (6), nominal tariff protection varies widely among manufacturing industries. The lowest rate is for petroleum and coal products (16.7%) and the highest is for beverages (123.6%). This reflects the fact that there is considerable variation in the levels of nominal protection for different industries and commodities. However, it has been reported that nominal tariff protection has declined on manufactured goods to about 21% in 1994 [8] due to the reduction of tariff duties on consumer imports.

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[7] Ibid., p.48-50.

[8] MEED: 21 April 1995, p.10.

Interior / Directorate of General Security. The importation of all medicines requires prior permission from the Ministry of Health. There are some 6 foodstuffs that require persmission from the Ministry of Supply before an import license can be issued by MIT. These include white cheese, barley, animal feedstuffs, meat, fish, butter, fresh juice, beans, cows and sheep. All telecommunication equipment e.g., telephones, facsimile machines, telexes .... etc are subject to permissions from the Minstry of Telecommunications before they can be imported.[11]

(c) Government Monopoly: The Government has a monopoly on the importation of nine necessary commodities, namely, sugar, wheat, rice, flour, dried milk, cigarettes, frozen chicken, lentils and olive oil. Importers of these items act as agents for the Ministry of Supply which sets their price and distributes them in the country. Sugar, wheat, rice and powdered milk are sold by the Government at subsidized prices in order to assist the poor. The Government monopoly on the imports of cigarettes, frozen chicken, lentils and olive oil has been to protect domestic production.

3-1-3 Import Procedures

Import procedures in Jordan are considered relatively complex and restrictive despite the efforts that have been rendered to simplify them since 1989. Importers must pass through many procedures before clearing out imported products as follows :

a - An import license must be obtained from MIT for imports that exceed JD 2000. However, as mentioned earlier, the importation of many products require "permission license" from the concerned authorities prior to MIT issuing an import license.

b - A bank guarantee is required. The Central Bank of Jordan demands cash requirements against import documents. Also a foreign exchange permits should be acquired from the Central Bank after the import license has been obtained.

c - Approval from various departments is required. It is reported that import documents require about 50 signatures.[12] Although many of these signatures were introduced as a result of the Gulf Crisis, they are still required even though the political and economic conditions have improved in the region.

d - Inspection of imported products is carried out by various departments before they can be cleared out, namely, by the Ministries of Industry and Trade, Agriculture and Health along with the Customs Department.

3-2 Export Promotion Policies

Jordan has adopted an export promotion scheme since 1989 with the aim of reducing the anti-export bias, increasing manufacturing exports, diversifying economic activity, and attracting more foreign investment. Although this scheme has included several export incentives, it has not fully achieved its goal of export - led growth yet. The following existing export incentives have been introduced and / or improved recently.[13]

[11] The World Bank, op.cit. .p.45.
[12] Ibid.,.p.60.
[13] Ibid., p.59-63

a - The Jordanian dinar is pegged to a basket of currencies constituting the SDR. In December 1994, the official buying and selling rates quoted by the Central Bank of Jordan were JD 0.697 and JD 0.699, respectively, per US$ 1. However, there are two exchange rates: the official rate which is determined by the Central Bank of Jordan and a free market rate which is largely determined by the banking system. The spread between the two rates has been minimal.

b - After its gradual increase overtime, the amount of foreign exchange that could be taken out of the country or transferred abroad by residents and non-residents annually reached the equivalent of JD 35 thousands. A fee of 0.10% is levied on exchange permits for invisible payments, except those of government departments and other certain institutions.

c - Jordanian nationals residing in Jordan may open foreign currency accounts with licenced banks in Jordan provided that each individual's holdings do not exceed the equivalent of JD 500 thousand.

d - Licensed banks and financial companies are authorized to open accounts in foreign currencies for nonresidents without any conditions; withdrawls and transfers from these accounts are permitted freely.

e - Licensed banks and financial companies may extend credit facilities to residents and nonresidents against their foreign currency deposits up to JD 100 thousand without prior approval of the Central Bank.

f - Premium Development Bonds denominated in Jordan Dinar may be purchased with convertible currencies by nonresidents; proceeds from redemption at maturity, including interest are transferable in any convertible currency.

g - In end 1992 about 30 foreign exchange houses were allowed to resume operations. Presently, there are 25 foreign exchange houses in operation.

h - Importers are required to obtain a foreign exchange permit from the Central Bank, which is granted automatically when an import license has been obtained. A fee of 0.10% 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.

i - Importers to the free zones and of transit trade are responsible to provide foreign currencies to finance such transactions. Their banks are authorized to set the percentage of advance import deposit depending the customer's financial credibility.

j - 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-exports is subject to the prior approval of the Central Bank.

k - Proceeds from commodity exports of Jordanian origin must be repatriated through authorized banks; proceeds from merchandise re-exports must be repatriated within one month of shipment. Exporters are allowed to keep 10% of proceeds in deposits at local commercial banks or financial institutions and to use them to pay for imports of inputs.

l - Foreign exchange receipts from invisibles must be repatriated through an authorized bank.

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

n - 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

Although the above mentioned investment law of 1987 offered attractive investment incentives, it still has principle deficiencies including an arbitrary differentiation between "approved economical projects and " economic projects", inadequate monitoring of tax holidays granted, along with increasing evidence that tax holidays are an ineffective means of investment promotion, limited customs duty exemptions which provide limited relief for spare parts imports, and exclude coverage of raw material imports and several highly anti-competitive provisions favouring local procurement.[16] Therefore, the reform of this law is urgently needed to overcome these deficinenices. It has to be mentioned, however, that the government has exerted serious efforts since 1992 to replace the 1987 investment law by a new one to tackel these shortcomings. But these efforts have not produced the aspired results yet for various domestic economic, social and political reasons.

Moreover, foreign investment in Jordan has been regulated by two other laws, namely, the Companies Law of 1989 and the Law Governing Arab and Foreign Investment (No. 22 of 1992). Under the Companies Law, the choice of business form is more restricted for foreign investors as compared with Jordanian and Arab-owned companies. Foreign enterprises must form a Jordanian company, if they intend to undertake operations in Jordan. Registration of a branch of a foreign corporation is generally permitted only to undertake a specific project of limited duration. The establishment of a full subsidiary of a foreign company is not allowed. The Government provides attractive incentives for foreign companies to establish regional or representative offices in Jordan, and undertake activities outside the country. These offices are considered non-resident and cannot conduct business activities within the country.

Although the Law Governing Arab and Foreign Investment (No. 22 of 1992) does not include specific incentives for foreign investors, it outlines general investment guarantees and other protection for foreign investors and specific sectors in which foreign participation is limited. While this law is an improvement over the previous law of 1987, it still contains a number of areas of ambiguity and weakness which greatly reduce its effectiveness. Principal deficiencies include the following [17]: -

a - Unequal treatment between Arab and non-Arab foreign investors.

b - The requirement of all non-Arab foreign investors to receive Cabinet approval prior to registering a business in Jordan.

c - The need for approval from the Prime Minister's office for non-Arab investment in shares of public shareholding companies listed on the Amman Financial market.

d - Ambiguity about the definition of sectors where foreign participation is permitted in full, and sectors where it is limited to a maximum of 49% of the equity.

e - Lack of sufficient guarantees to protect non-Jordanian investment.

f -Lack of internationally recognized third party investment disputes resolution mechanisms.

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[16] FIAS/World Bank: Jordan-Foreign Direct Investment Climate (World Bank, Washington, D.C.,November, 1992.)

[17] Ibid., p.8-9.

Although Jordan and Palestine aspire for free trade between them, the May 1995 Protocol Trade Agreement regulates their trade relations during the transitional period by indentifying two lists of goods that can be traded freely or partially exempted from tariffs between them. These lists include 61 Palestinian commodities and 100 Jordanian goods.[19] This is in addition to the goods that can be traded subject to tariff duties by both parties. It has to be mentioned, however, that the flow of trade between Jordan and Palestine is subject to the Israeli approval as Israel still has control over the bridges that connects Jordan and Palestine, i.e., it controls the flow of goods and people.

As for Jordan and Israel, the current status of their trade negotiations is as follows:-

a - Recognizing the fact that the Israeli economy is far more advanced than that of Jordan, Israel has already agreed to the principle of granting Jordan a preferential treatment in their future trade relations. But it desires to conclude a preferential trade agreement with Jordan with a stated goal of free trade within 12 years.[20] However, Jordan cannot make a free trade commitment with Israel for economic and socio-political reasons and as it has not signed a free trade agreement with any country. Accordingly, Jordan is willing to conclude a preferential trade agreement with Israel first and assess its impact on the Jordanian economy after three years.[21] It seems that this is a reasonable objective in light of the current economic and political circumstances.

b - The two countries have already agreed on the lists of goods that can be freely traded or partially exempted from tariffs between them.

Nevertheless, freer trade between Jordan and Israel should be the ultimate objective of their future trade relations as a second-best policy for free trade.

Due to the close trade interrelationships among Jordan, Palestine and Israel brought about the geo-politics and socio-economic relations among them, there is a need to layout their future trade relations, at least during the Interim Period. The following are the major issues that should be considered by the three entities to facilitate future trade cooperation among them through a trilateral trade agreement:

a - Freer trade should be the ultimate objective for their future trade relaions as the establishment of a free zone or customs union among them is not economically feasible in the near future. This is due to the need to protect domestic production both in Jordan and Palestine against the Israeli competition, and for social and political factors in the region.

b - To regulate trade flows among them, they should recourse to tariffs rather than quantitative restrictions.

c - They should agree on the lists of goods, and their tariffs and legal status, that can flow between Jordan and Israel through the West Bank.

d - If Jordan is going to levy different tariffs on goods imported from Palestine and Israel, there should be an agreement on the status of Palestinian goods of high Israeli import content when exported to Jordan.

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[19] Al-Aswaq newspaper: May 6, 1995 (Amman, Jordan).
[20] Financial Times: June 21, 1995 (London, UK) p.7.
[21] Ibid.

Regarding imports, as a developing country Jordan is required to lower its trade-weighted average tariff to 12% over a period of ten years in annual equal cuts. All its non-tariff restrictions should be converted to tariff-based duties within the same period. Of course the direct impact of this procedure would be the phasing out of effective protection granted to domestic industries over ten years. However, to reiterate, this will expose these industries to foreign competition, and in turn, will give rise to more efficient allocation of resources. Also there would be a possibility for certain imports to increase substantially depending on the price elasticity of import demand.

In addition, there are two likely negative affects for joining the GATT/WTO. Firstly subsidies on certain consumer goods, especially food stuffs, will have to be eliminated gradually. Secondly, domestic prices would be expected to rise gradullay due to the aforementioned policies.

Nevertheless, it seems that the advantages that Jordan would gain from joining the GATT/WTO surpass the disadvantages. Also to repeat, Jordan had already embarked on a gradual trade liberalization program before applying to join the GATT/WTO, which means that its GATT/ WTO membership coincides with its macroeconomic development strategy for the coming decade.

7 - POLICY RECOMMENDATIONS

In conclusion, Jordan should intensify its efforts to achieve the ultimate objective of shifting from import substitution to an export-oriented strategy in both trade and investment by enhancing domestic producers' competitiveness through market forces. Therefore, it has to implement its current trade liberalization program faster. This is concurrent with the objective of attaining freer trade with its close neighbours, namely Palestine and Israel. In addition, further liberalization coincides with the requirements of GATT / WTO, which Jordan is keen to join.

Accordingly, the aforementioned goals can be achieved by the adoption of various interconnected fiscal, monetary and commercial policies, and public sector reforms. Following are the major trade and investment policy reforms that should be given the highest priority:-

a - To reduce further all tariffs on consumer, intermediate and capital goods to the extent acceptabie by the GATT/WTO in order to reduce effective protection and to achieve a freer trade system.

b - To remove all non-tariff barriers and convert them to tariff-based duties.

c - To remove all surcharges in order to have a unified tariff structure.

d - To eliminate all tariff exemptions granted to both individual goods and institutions.

e - To grant more export incentives in order to reduce further the anti-export bias caused by the import substitution strategy.

f - To overcome the shortcomings of the Duty Drawback and Temporary Admission schemes.

g - To simplify further export and import procedures.

h - To remove import licensing requirements.

i - To expedite the process of amending the current Encouragement of Investment Law.

j - To reform all foreign investment related legislations.

Table (1)

Main Economic Indicators in Jordan 1988-1994

(Million JD)

Indicator	1988	1989	1990	1991	1992	1993	1994
GNP	2175.9	2180.7	2428.8	2634.0	3306.8	3733.4	4117.1
GDP	2264.4	2372.1	2668.3	2855.1	3493.0	3882.5	4266.2
			Annual Changes in Percent				
Real GDP	-1.9	-13.5	1.0	1.8	16.1	5.8	5.7
GDP deflator	3.1	21.0	11.4	5.2	5.4	5.1	3.9
Cost of living index	6.6	25.6	16.2	8.2	4.0	3.3	3.6
Govenment budget							
Total revenue	721.3	855.5	938.2	1112.0	1358.7	1406.3	1492.3
Revenue	544.4	565.4	744.0	828.8	1168.9	1191.5	1270.0
Foreign grants	155.4	261.7	164.3	225.2	137.4	163.3	167.3
Total Expenditures	925.9	992.6	1032.6	1099.6	1177.7	1336.6	1437.1
Overall deficit	-204.6	-137.1	-94.4	12.4	181.0	69.7	55.2
			In Percent of GDP at current prices				
Total revenue	31.9	36.1	35.2	38.9	38.9	36.2	35.0
Revenue	24.0	23.8	27.9	29.0	33.5	30.7	29.8
Foreign Grants	6.9	11.0	6.2	7.9	3.9	4.2	3.9
Total Expenditure	40.9	41.8	38.7	38.5	33.7	34.4	33.7
Overall deficit	-9.0	-5.8	-3.5	0.4	5.2	1.8	1.3
Monetary aggregates							
Money and Quasi money	2646.7	2971.1	3122.6	3717.5	4193.0	4481.8	4841.5
Foreign assets	363.6	682.7	955.8	1694.9	1728.2	1689.6	1904.3
Domestic assets	2279.9	2288.4	2166.8	2022.6	2464.8	2792.2	2937.5
Total Deposits	2346.0	2625.4	2642.6	4022.1	4749.0	4939.4	5391.5
Exchange rate	2.692	1.753	1.507	1.469	1.471	1.443	1.433
			Annual Charges in Percent				
Money and Quasi money	11.4	12.4	5.1	19.1	7.4	6.9	8.0
Foreign assets	-15.3	87.7	40.1	77.3	2.0	-2.2	12.7
Domestic assets	17.2	3.7	-5.3	-6.7	21.8	13.3	5.2
Total Deposits	9.5	11.9	0.6	52.2	18.1	4.0	9.1
Real effective exchange rate	-12.7	-15.6	-11.2	2.2	-2.3	--	--

(Contd.)

Table (1) - continued

Indicator	1988	1989	1990	1991	1992	1993	1994
Balance of Payments							
Exports	381.5	637.6	706.1	770.7	829.3	864.7	995.2
Imports	1022.5	1230.0	1725.8	1710.5	2214.0	2453.6	2362.6
Trade Balance	-641.0	-592.4	-1019.7	-939.8	-1384.7	-1588.9	-1367.4
Workers Remittances	335.7	358.5	331.8	306.3	573.1	720.7	784.3
Current Account	-105.5	-104.9	-272.8	-288.1	-568.7	-435.3	-231.9
Overall Balance	-120.3	-317.8	-317.8	108.1	-409.9	-557.3	-250.2
Official Reserves	218.5	330.1	370.8	949.1	1001.1	1689.6	1904.3
External Public Debt	3836.9	5409.4	6052.5	5516.8	5203.1	4803.9	4612.7
				In Percent of GDP			
Trade Balance	-28.3	-25.0	-38.2	-32.9	-39.6	-40.9	-32.1
Current Account	-4.7	-4.4	-10.2	-10.1	-16.3	-11.2	-5.4
External Public Debt	169.4	228.8	226.8	193.2	149.0	123.7	108.1

Sources : Central Bank of Jordan, Monthly Statistical Bulletin, Feb. 1995, (Amman - Jordan).
Sources : Central Bank of Jordan, Annual Reports for 1992 and 1993, (Amman - Jordan).

Table (2)

Main Indicators of Jordan's External Trade 1988-1994

(Million JD)

Indicator	1988	1989	1990	1991	1992	1993	1994
Growth Rate (in percent)							
External Trade	15.7	30.9	32.5	-1.2	23.3	10.4	3.6
Domestic Exports	30.5	64.4	14.6	-2.2	5.9	9.1	14.8
Imports	11.7	20.3	40.3	-0.9	29.4	10.8	-3.7
Re-exports	-15.3	82.5	-9.4	83.5	13.6	-11.3	16.1
Percent of GDP							
External Trade	59.5	74.3	87.5	80.8	81.4	81.0	74.0
Domestic Exports	14.3	22.5	22.9	20.9	18.1	17.8	18.6
Imports	45.2	51.8	64.5	59.9	63.3	63.2	55.4
Re-exports	2.5	4.3	3.5	6.0	5.6	4.5	4.7
Per Capita Share (JD)							
External Trade	448.9	567.1	677.1	593.9	708.4	757.4	769.8
Domestic Exports	108.2	171.7	177.3	154.0	157.7	166.5	193.6
Imports	340.7	395.4	499.8	439.9	550.7	590.9	576.2
Re-exports	18.9	33.3	27.2	44.3	48.6	41.8	49.1

Source : Central Bank of Jordan, Monthly Statistical Bulletin, Feb. 1995 (Amman - Jordan).
Sources : Central Bank of Jordan, Annual Reports for 1992 and 1993, (Amman - Jordan).

Table (3)

Jordan's External Trade by Economic Function 1988-1994

Million JD

	1988		1989	1990	1991	1992	1993	1994	
	Value	%						Value	%
Domestic Exports	**324.8**	**100.0**	**534.1**	**612.3**	**598.6**	**633.8**	**691.3**	**793.9**	**100.0**
Consumer Goods	79.9	24.6	132.3	173.5	200.5	255.6	356.7	329.1	41.5
Raw Materials	239.3	73.7	388.2	422.8	388.8	363.5	314.6	437.6	55.1
Capital Goods	5.6	1.7	13.6	16.0	9.3	14.7	20.0	27.2	3.4
Re-exports	**56.7**	-	**103.5**	**93.8**	**172.1**	**195.5**	**173.4**	**201.3**	-
Imports	**1,022.5**	**100.0**	**1.230.0**	**1,725.8**	**1,710.5**	**2,214.0**	**2453.6**	**2362.6**	**100.00**
Consumer Goods	371.6	36.3	414.3	659.7	728.5	900.5	938.2	785.1	33.2
Raw Materials	393.7	38.5	523.8	730.1	680.2	789.9	882.6	1141.7	48.3
Capital Goods	219.5	21.5	262.1	319.5	291.0	509.8	606.5	423.7	18.0
Miscellaneous	37.7	3.7	29.8	16.5	10.8	13.8	26.3	12.1	0.5
Trade Balance	-641.0	-	592.4	-1019.7	-939.8	-1384.7	-1588.9	-1367.4	-

Sources :- Department of Statistics, Statistical Year Book 1992, (Amman-Jordan), pp. 476-477.
- Central Bank of Jordan, Twenty Ninth Annual Report, 1992 (Amman-Jordan), p. 153.
- Central Bank of Jordan, Monthly Statistical Bulletin, Feb. 1995 (Amman-Jordan).

Table (4)

Destination of Jordan's Domestic Exports 1988-1994

Million JD

	1988		1989	1990	1991	1992	1993	1994	
	Value	%						Value	%
Arab Common Market Countries	75.9	23.4	145.2	146.9	81.8	74.0	108.4	147.1	18.5
Iraq	64.6	19.9	123.9	118.5	55.8	48.8	77.5	105.3	13.3
Other Arab Countries	60.3	18.6	96.1	112.0	90.5	148.4	177.6	189.9	24.0
Saudi Arabia	31.3	9.6	47.7	46.8	11.0	70.1	80.1	72.3	9.1
Eastern Europe Countries	23.8	7.3	42.7	24.4	27.8	15.7	32.9	13.7	1.7
E.E.C.	25.4	7.8	25.0	22.1	18.5	19.1	27.9	40.4	5.1
India	55.4	17.1	94.9	129.1	109.6	96.4	65.9	88.1	11.1
Japan	6.6	2.0	18.2	13.0	10.6	12.1	9.8	12.6	1.6
Indonesia	11.0	3.4	27.3	30.4	24.2	29.0	37.6	28.0	3.5
Turkey	8.8	2.7	11.5	15.1	13.1	15.3	12.6	10.3	1.3
South Korea	6.7	2.1	9.8	7.6	10.0	12.1	7.5	14.4	1.8
Taiwan	7.3	2.2	11.3	13.6	10.7	10.4	10.0	9.9	1.2
Other	43.6	13.4	51.1	98.1	201.8	201.3	201.7	239.5	30.2
Total	**324.8**	**100.0**	**534.1**	**612.3**	**598.6**	**633.8**	**691.3**	**793.9**	**100.0**

Source : - Central Bank of Jordan, Twenty Ninth Annual Report, 1992 (Amman-Jordan), p. 156.
- Central Bank of Jordan, Monthly statistical Bulletin, Feb. 1995 (Amman-Jordan), p.66.

Table (5)

Sources of Jordan's Imports 1988-1994

Million JD

	1988		1989	1990	1991	1992	1993	1994	
	Value	%						Value	%
Arab Common Market Countries	139.6	13.7	250.6	306.4	239.6	363.3	388.9	385.1	16.3
Iraq	117.3	11.5	212.7	273.2	170.9	295.4	307.0	291.3	12.3
Other Arab Countries	122.1	11.9	86.9	132.0	99.1	98.7	109.9	138.0	5.8
E.E.C.	303.3	29.6	365.7	494.1	512.2	650.1	753.8	794.7	33.6
Germany	69.9	6.8	80.8	101.2	133.2	186.7	202.8	184.4	7.8
United Kingdom	64.8	6.3	74.0	89.4	77.6	108.4	127.9	120.8	5.1
France	39.6	3.9	72.6	97.9	73.6	78.1	98.5	111.8	4.7
Eastern Europe Countries	62.2	6.1	55.8	85.3	85.6	129.7	151.9	137.9	5.8
Other European Countries	46.7	4.6	58.2	59.8	59.2	75.0	81.7	68.6	2.9
U.S.A.	128.9	12.6	170.8	299.5	178.2	246.2	311.4	232.9	9.9
Japan	54.1	5.3	45.7	54.3	61.1	132.2	123.4	93.6	4.0
Turkey	29.0	2.8	28.1	46.1	57.1	97.4	58.4	62.7	2.7
Taiwan	20.5	2.0	23.1	30.2	40.1	52.7	43.7	39.1	1.7
China	17.5	1.7	21.9	25.0	29.1	52.1	50.6	62.4	2.6
South Korea	12.8	1.3	15.3	17.6	24.8	46.7	61.3	58.3	2.5
India	2.8	0.3	8.7	22.1	53.5	31.2	43.5	38.9	1.6
Other	83.3	8.1	99.7	153.4	270.9	238.7	274.9	250.4	10.6
Total	**1,022.5**	**100.0**	**1,230.0**	**1,725.8**	**1,710.5**	**2,214.0**	**2453.6**	**2362.6**	**100.0**

Sources :- Central Bank of Jordan, Twenty Ninth Annual Report, 1992 (Amman-Jordan), p. 156.
- Central Bank of Jordan, Monthly Statistical Bulletin, Feb. 1995 (Amman-Jordan), p.67.

Table (6)
Unweighted Average of Tariffs, Surcharges and Nominal Tariff Protection in Jordan, 1993

Industry	Tariff	Surcharges	Nominal Protection
AGRICULTURE	10.5	13.2	23.7
MINING	9.3	12.9	22.2
MANUFACTURING	17.9	16.4	34.3
Processed Food	16.3	15.7	32.0
Beverages	103.9	19.7	123.6
Tobacco	49.3	18.6	67.9
Textiles	14.7	15.8	30.5
Wearing Apparel	28.8	19.7	48.5
Leather Products	22.1	20.2	42.3
Footwear	30.0	20.2	50.2
Wood & Cork Products	15.7	17.1	32.8
Wooden Furniture	30.0	20.2	50.2
Paper Products	13.4	17.9	31.1
Printing & Publishing	8.7	11.3	20.0
Industrial Chemicals	7.4	14.0	21.4
Other Chemical Products	15.2	16.8	32.0
Petroleum Refineries	11.9	17.8	29.7
Petroleum & Coal Products	4.1	12.6	16.7
Rubber Products	12.0	17.0	29.0
Plastic Products	23.3	17.3	40.6
Non-Metallic Products	24.6	18.8	43.4
Non-Electric Machinery	10.4	14.6	25.0
Electric Appliances	31.4	18.5	49.9
Scientific Equipment	14.2	18.4	32.6
Transport Equipment	57.7	17.1	74.8
Fabricated Metal Products	19.9	18.4	38.3
Basic Metal Industries	6.7	15.9	22.6
Other Manufactured Goods	17.1	17.9	35.0
OVERALL ECONOMY	16.8	16.1	32.9
CONSUMER GOODS	24.9	17.8	42.7
INTERMEDIATE GOODS	8.4	15.0	23.4
CAPTIAL GOODS	21.3	16.1	37.9

Source : The World Bank ; Jordan-Consolidating Economic Adjustment and Establishing the Base for Sustainable Growth, (Washington D.C., December 30, 1993), p. 52.

Table (7)

Average Nominal Tariff Protection and Effective Rate of Protection by Sector and Sub-Sector in Jordan, 1993

Industry	Average Nominal Tariff Protection	Effective Rate of Protection
AGRICULTURE	23.7	5.1
MINING	22.2	8.5
MANUFACTURING	34.3	40.9
FOOD BEVERAGES, TOBOCCO	41.1	22.5
Food Manufacturing	32.0	19.4
Beverages	123.6	185.0
Tobacco	67.9	117.2
TEXTILES & LEATHER	36.3	48.6
Textiles	30.5	32.6
Wearing Apparel	48.5	78.0
Leather Products	42.3	64.0
WOOD & CORK PRODUCTS	33.6	51.4
Wood & Cork Products	32.8	49.0
Wooden Furniture & Fixtures	50.2	97.0
PAPER & PRINTING MATERIAL	28.3	19.8
Paper Products	31.3	22.3
Printing & Publishing	20.0	9.1
CHEMICALS, PETROLEUM, COAL	24.9	24.8
Industrial Chemicals	21.4	13.8
Other Chemical Products	31.9	26.3
Petroleum Refineries	29.4	39.7
Petroleum & Coal Products	16.7	-
Rubber Products	29.0	57.5
Plastic Products	40.7	76.8
NON-METALLIC PRODUCTS	43.4	48.5
METAL PRODUCTS & MACHINERY	40.3	99.4
Non-Electric Machinery	25.0	14.7
Electric Appliances	49.9	-
Scientific Equipment	32.6	76.6
Transport Equipment	74.8	-
Fabricated Metal Products	38.4	57.0
BASIC METAL INDUSTRIES	22.6	18.0
OTHER MANUFACTURED GOODS	35.0	55.6
OVERALL ECONOMY	33.0	30.3
CONSUMER GOODS	42.7	-
INTERMEDIATE GOODS	23.3	-
CAPTIAL GOODS	37.9	-

Source : The World Bank : Jordan-Consolidating Economic Adjustment and Establishing the Base for Sustainable Growth, (Washington D.C., December 30, 1993), p. 54.

Table (8)

Number and Value of Foreign Registered Investments in Jordan 1988-1993

(Million JD)

	1988	1989	1990	1991	1992	1993
Number of Projects	1974	1840	2393	4145	4556	4409
Domestic Capital	35.9	41.0	41.3	89.6	160.2	233.3
Foreign Capital	3.4	2.2	4.9	4.4	2.4	9.2
Total Capital	39.3	43.2	46.2	94.0	162.6	242.5
Average Capital Per Project (JD)	19908	23478	19306	22688	35694	55001

Source : - Ministry of Industry and Trade, unpublished information (Amman-Jordan).
- The World Bank : Jordan - Foreign Direct Investment Climate (Washigton D.C. 1992), Annex C.

Table (9)

Sectoral Distribution of Foreign Registered Investments in Jordan in 1986-1989, 1990 and 1991

(Million JD)

Sector	Total Registered Capital			Foreign Capital			Domestic Capital			% Share of Foreign Capital in Total Registered Capital		
	1986-89	1990	1991 (1)	1986-89	1990	1991 (1)	1986-89	1990	1991(1)	1986-89	1990	1991 (1)
Industry	46.4	16.7	15.1	3.4	2.7	0.8	43.1	14.0	14.4	7.3	16.2	5.3
Trade and Services	111.7	29.5	27.8	5.0	2.2	1.5	106.6	27.3	26.2	4.5	7.5	5.4
Total	158.1	46.2	42.9	8.4	4.9	2.3	149.7	41.3	40.6	5.3	10.6	5.4

(1) For the first eight months

Source : - Ministry of Industry and Trade, unpublished information (Amman-Jordan).

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