

JORDAN

Overview

Jordan's economy has recovered from the dislocations caused in part by the Persian Gulf crisis and has maintained growth rates in the 5% range during early to mid 1990s. The United States is becoming a major source of imports which reflects the strong reputation of U.S. products in Jordan. The major achievements in the Middle East peace process has resulted in a wider security and commercial relationship between Jordan and the U.S. which may lead to increased business opportunities for U.S. firms.

Defense Industry Environment

According to the Government of Jordan's FY 1996 budget of \$1.614 billion, current expenditures for the Ministry of Defense are projected at \$397 million which includes allocations for the medical service. The MOD's budget grew by 8.1% over FY95 funding.

The Ministry of Defense relies on imported defense equipment, as there are no defense industry firms in Jordan. The traditional suppliers of defense equipment to Jordan are the United States and the United Kingdom.

Defense Opportunities

Defense opportunities in Jordan exist in the following areas:

- Vehicle spare parts
- Field telephone cable
- Military uniforms material
- Troop field equipment such as canteens, ponchos, boots, helmets, and bayonets
- Spare parts for the Hawk Missile system and F-5 aircraft
- Ammunition
- Rebuilding of tracked and wheeled vehicles
- Communications equipment
- Hawk System PIP III
- HMMWV vehicles
- Night vision equipment
- Ground surveillance radar
- Thermal/low light-imaging surveillance equipment.

Besides a general improvement in the vintage and quality of all hardware, the Jordanian Armed Forces (JAF) seek to acquire a wide range of equipment to support current requirements and light modernization. The armed forces completed its three-year (1992-1994) program for

equipment sustainment and light modernization. Public news sources suggest that some new hardware purchasing and modernization program began in 1995.

Defense Procurement Process

The Jordanian Armed Forces (JAF) advertises procurement tenders for non-combat and non-lethal equipment and supplies in local daily newspapers. Purchases of combat and lethal equipment and supplies are executed through private contracts and selective tendering procedures. The JAF and the Royal Jordanian Air Force (RJAF) have separate procurement offices. No other government agency has jurisdiction over defense sales to Jordan. Sales of non-defense equipment and supplies to the government are done through the general supplies department. No direct contacts are permitted with the procurement officers at individual agencies if purchases are channeled through this department.

The Ministry of Defense revamped its procurement department in 1995. This measure included a wide reorganization among long-time officials in the procurement offices of the JAF and RJAF. This measure reflected the Government's intent to prepare the Army for a new role in project development as a result of the Peace Treaty signed with Israel. Accordingly, the Engineering Corps, Al-Hussein Mechanical Workshop and all other agencies with engineering functions and logistical support were reorganized to assume non-conventional, non-combat military tasks as well as new civilian tasks focusing on project development.

The reorganization of the procurement offices of the JAF and RJAF was also intended to prepare these organizations for bilateral and multilateral cooperative programs. This reshuffling will also commercialize certain procurement functions within the JAF and RAF to enable direct contracting and negotiation with local and foreign consultants as well as foreign suppliers. This systemic change has erased the need for procurement offices to acquire budgetary sanctions from the Ministry of Defense to initiate discussions with manufacturers. In addition, this reorganization has eased clearance sharing procedures between military intelligence and the procurement offices.

The Army is expected to play a major role, with the cooperation of the Ministry of Public Works and Housing, in the excavation and installation of infrastructure in the Jordan Rift Valley, east of Wadi Araba and various border points and/or lines with Israel and the Palestinian National Authority (PNA).

Diversification/Commercialization Opportunities

The Government of Jordan continues to maintain a conservative capital spending budget. Spending on capital projects and for capital equipment is carried out through aid programs (European Investment Bank and the Japan Overseas Development Bank), or through open financing by the International Bank for Reconstruction and Development. Total expenditures in this area for 1996 is estimated at JD 440 million (\$617 million), of which \$405 million will be generated from revenues and \$212 million from loans and grants.

The following industry sectors are promising areas for U.S. firms interested in the Jordanian market.

Telecommunications, Transportation and Utilities

The Government recently passed a new Telecommunications Law (September 1995) and Public Power Law (March 1996) which deregulated these industry areas. In addition, 80% of the operational functions and transport routed operated by the Ministry of Transport have been privatized. Due to this massive deregulation and privatization, business opportunities in these industry sectors are highly promising.

Commercial Aircraft and Air Traffic Control

Regional airlines offering service between Jordan and Israel have been recently licensed coupled with the opening of the Marka and Queen Alia International Airports to foreign businessmen, offers some business opportunities in this area. In addition, the construction of the new Aqaba airport may yield strong opportunities for the sale of air traffic control equipment. Jordan's Civil Aviation Authority is currently upgrading and/or changing its ground and air-borne radio equipment which may translate into potential sales for U.S. firms.

Environmental Technologies

According to Dr. Saleh Al-Share, Director of the Department of the Environment, business opportunities in the environmental sector are promising; however, procurement opportunities depend on the GOJ obtaining international loans to finance pollution control and water resources equipment.

Law Enforcement Equipment and Systems

Local firms specialized in law enforcement services have reported few opportunities in this Government-controlled sector. However, opportunities exist for sales of alarm systems, security electronic systems and devices, and communications equipment for the Public Security Directorate.

Medical/Diagnostic Equipment

The Ministry of Health Procurement Control Section has indicated that all government and private hospitals need medical and diagnostic equipment sold under flexible trade terms. Seven additional government and private hospitals are expected to be built by the year 2000. Al-Hussein Medical City and other government hospitals are preparing to budget for the purchase of medical equipment in support of tele-medicine connectivity with the U.S. and Israel which could result in sales to U.S. firms.

Doing Business in Jordan

American firms interested in exporting to Jordan must appoint locally registered Jordanian agents/distributors since Jordanian law stipulates that no foreign firm may import goods into the country without appointing a registered agent. The agent's connection to the foreign company must be direct, without a sub-agent or intermediary. The Jordanian courts have jurisdiction over all disputes arising out of the agency/distributorship contract notwithstanding any agreement to the contrary. However, the choice of foreign laws to govern the agency/distributorship arrangement between the parties is permitted and can be enforced by Jordanian courts. A foreign company selling arms or munitions to the GOJ must either sell directly, through a regional office, or have a local representative with special clearance from the GOJ. Under current law it is illegal to have a commissioned agent for the sales of arms and munitions.

Establishing an Office

The Companies Act of 1989 provides procedural guidelines for registering foreign companies and establishing regional and representative offices. The registration law distinguishes between two types of foreign companies: "Foreign Companies operating in the Kingdom" and "Foreign Companies not operating in the Kingdom." The former applies to foreign firms seeking to establish branch offices to conduct business in Jordan. The latter applies to representative (i.e., regional) offices, which are not permitted to conduct full commercial activities in Jordan, or act as commercial agents and middlemen for business activities. However, they are allowed to serve as liaisons between their head offices and Jordanian or regional clients, and represent their companies' business interests in Jordan. Regional and representative offices may also be set up to coordinate and direct scientific and technical services for clients in Jordan. Foreign firms qualified to execute contracts in Jordan are encouraged to establish branch offices. The registration fee for a branch office is \$360 if the parent company's capital is JD one million (\$1.3 million) or less and \$720 if more than JD one million. The registration fee to establish a regional office is minimal.

U.S. firms may establish joint Jordanian-American offices to do business in and from Jordan. However, Jordanian law requires that the Jordanian interest should be at least 51 percent. Joint trading offices may engage in business activity, including trade, contracting, land, maritime and air transport. Joint offices are also allowed to engage in financial services and stock market operations through registered brokers.

Selling to the Government

The General Supplies Department is the central procurement agency for Government Ministries and state-owned Corporations. All sales to the Government fall under Procurement Regulation No. 32 of 1993 and Tenders Regulation No. 1 of 1994 on Tender Procedures and Conditions of Participation. Direct offers for local bids are not permitted. A local agent/distributor or representative must be appointed to represent the American bidder. Direct bids for tenders financed by international donors or the World Bank are permitted if stipulated by the tender announcement or documents.

Need for a Local Attorney

Firms operating in Jordan through registered branch offices or regional offices need an attorney in order to complete paperwork and registration requirements. A local attorney can provide continuous advice on laws and regulations affecting the business climate in Jordan. Appointing a local lawyer can also help protect product copyrights, patents and trademarks.

Tariffs and Import Taxes

All imports into Jordan are subject to import tariffs and taxes. Industrial raw materials and production plants, as well as capital equipment imported by licensed industrial projects, are exempted from tariffs. The ceiling on import tariffs on all goods except luxury items has been lowered from 70% to 50%. The tariff on luxury goods was lowered from 220% to 130% and the import tax on automobiles decreased from 330% to 220%. However, the base of products subject to sales tax was widened and the sales tax increased from 7% to 10% to offset the lost revenue from higher tariffs. In addition, the Council of Ministers has the authority to raise sales taxes at any time to offset tariff reductions.

Import Licenses

According to the Import and Export Regulation No. 74 of 1993, an import license is not required except in specifically-defined cases. The import license continues to be a requirement, but it is no longer a pre-import requirement. However, about 22 commodities, including telecommunication equipment, foodstuffs, medical equipment, and a wide range of engineering equipment still require an import license. These products are required to have a pre-permit from the relevant agency and an import license from the Ministry of Trade and Industry.

Export Controls

The Import/Export Law No. 14 of 1992 and the Import/Export Regulation No. 74 of 1993 govern general export control issues in Jordan. Enforcement of these controls is the responsibility of the Ministry of Finance/Customs and the Ministry of Industry and Trade, with Finance having jurisdiction over goods entering and leaving the Kingdom. According to Regulation 74/1993, no export license is required for Jordanian-made products, transit goods, free trade zone goods, re-exports, or goods entered under temporary status. Paperwork governing export controls consist of the Export Application, Export Declaration Statement and all other commercial documents, including the Customs Declaration.

Major Roadblocks to Doing Business

Non-competitive sea freight charges from the U.S. to Jordan and non-competitive prices of U.S. consumer products are major roadblocks to U.S. companies exporting to Jordan. On the Jordanian side, roadblocks to doing business in Jordan include: (a) weak government measures and policies to enforce regulations protecting foreign intellectual property rights; (b) unclear policies regarding the implementation of the secondary and tertiary aspects of the Arab Boycott of Israel; (c) restrictions on foreign capital ownership in business and trading sectors and general

restrictions on foreign business ventures; and (d) lengthy customs clearance procedures and lack of coordination between the Ministry of Industry and Trade and the Ministry of Finance/Customs.

Protection and Property Rights

The Jordanian legal system protects property rights. However, no government measures are in place to enforce intellectual property rights laws in Jordan. The Jordanian Copyrights Law, which was passed by Parliament in 1992, protects foreign works that are registered in Jordan or subject to international or bilateral agreements signed by Jordan. Foreign works must be registered in Jordan for their protection. The Jordanian Copyrights Law deals with all aspects relating to the exclusive rights to (a) copy or reproduce works; (b) translate, revise, or otherwise adapt or prepare derivative works; (c) distribute copies of the work; and (d) publicly communicate.

Royalties may be remitted from Jordan under licensing agreements approved by the Ministry of Industry and Trade. Trademark and patent rights registered under Jordanian Law No. 33 of 1952 at the Ministry of Industry and Trade cover a period of seven years from the date of registration. A registration may be renewed once, for a total period of 14 years. Trademark fees are nominal. A foreign company may have its trademarks or patents registered in Jordan by sending a power of attorney to a trademark agent or a lawyer.

Regulatory System: Laws and Procedures

The Government is in the process of amending all legislation concerning the business climate in Jordan. In addition to the Investment, Telecommunication, Sales and Income Taxes Law which were ratified in October 1995, the Government is reviewing the Companies Act, Amman Financial Market Law, Commercial Agents and Middlemen Law as well as the Copyright law in an effort to provide a better investment and business climate for domestic and foreign business.

Import/Export Documentation

According to Article 40 of the Customs Law, every Customs Declaration must be supported by an original invoice certified by the Chamber of Commerce of the city where the goods originated, or by any other institution acceptable to the Customs Department. The invoice should be attested by the Jordanian Diplomatic Mission where the goods have originated. If there is no Jordanian consulate in the area of the exporter, the certification of the Chamber of Commerce in the area of the exporter may be accepted, pending the approval of the Customs Department Director.

The purchase price and origin of the goods should be stated on the invoices and all other documents. All invoices should describe the imported goods in Arabic. The local importer must obtain an import license which provides details of the origin, value and type of goods, country of origin, method of shipment, exporter's and shipper's details and the local consignee's name and address. The importer, or his clearing agent, must present a bill of lading with the declaration.

This required document is used by Customs to verify the ownership of the goods. For Jordan-bound shipments forwarded through Syria, Iraq, and Saudi Arabia, the local importer, or his clearing agent, should present a Customs Declaration issued by the country of transit, called the "Neighboring Country's Declaration."

The Custom Department requires special permits for a large number of products, including foodstuffs, agricultural and animal products, satellite dishes and telephone equipment. These permits are issued by the responsible Jordanian Ministry or Agency. For example, the Telecommunications Corporation (TCC) grants permits for satellite dishes, and telephone equipment, the Civil Defense Department grants them for fire fighting equipment, and the TCC and Security Agencies grant them for alarm equipment equipped with radiowave components.

The Arab Boycott of Israel

The Boycott law has been replaced by new legislation prohibiting ownership of leasing of land by foreign nationals whose home country does not grant Jordanians reciprocal treatment. Accordingly, there is no legislation that discriminates against Israel or foreign nationals overall.

U.S. Government Points of Contact

The following is a list of helpful contacts for U.S. firms interested in the Jordanian market.

U.S. Embassy:

U.S. Embassy Defense Personnel:

Col. Michael Shaw, Chief, Military Assistance Program
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