

VPRS 82693

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JORDAN

EUROPEAN ORGANIZATION STUDIES 5-YEAR PLAN, INVESTMENT

Paris AL-NASHRAH AL-IQTISADIYAH AL-'ARABIYAH in Arabic Nov 82 pp 27-29

[Article: "The 5-Year Plan and Investment Opportunities"]

[Text] The Arab-Belgian-Luxembourg Chamber of Commerce devoted the September issue, number 9, of its monthly magazine to the Hashemite Kingdom of Jordan. It contained articles and studies covering various aspects of economic, social and cultural activity in this Arab country which, despite the disasters of the occupation it suffers, is trying to move toward providing better living conditions. AL-HASHRAH AL-IQTISADIYAH AL-'ARABIYAH, which, through the publications and studies of the Arab-Belgian-Luxembourg Chamber of Commerce appreciates the tangible activities of this chamber in strengthening the bonds of cooperation between Belgium and various Arab countries and drawing the attention of its readers to the possibility of supporting and encouraging this activity, is pleased to begin on its own by extracting the following article from that issue number 9 about the current 5-year plan and opportunities for investment in the Hashemite Kingdom of Jordan.

The 1981-1985 5-year development plan draws its specific elements from the assets of the current national economy and the expertise derived from the stages of economic and social development accomplished in the 70's. Its goal over the coming years is to achieve further stages in the continued process of development within the framework of comprehensive planning, keeping in mind support for the components of Arab economic integration on the Arab level. The objectives of the plan are defined as follows:

1. Achieving an 11 percent annual growth rate of the gross domestic product by increasing production in various economic sectors. The goal of the plan therefore is:

To expand agricultural land in irrigated areas, to improve agricultural methods, to reclaim land and to develop animal resources to fill the needs of the populace for foodstuffs.

To complete mining and industrial projects which were begun during the period of the 1976-1980 plan as well as to improve the chemical industries which rely on raw phosphates and potash and to expand the cement industry and processing industries.

To increase production and distribution of electric power and to improve sources of water for purposes of agriculture, industry and home consumption.

To increase the income derived from the construction sector from 52 million dinars in 1980 to 93 million 1985, that is, a 12.6 annual growth rate.

To increase income from the services sector which comprise transport, trade, financial institutions, home ownership, public management and other social and personal services from 471 million dinars in 1980 to 644 million in 1985 for an annual growth rate of 8.4 percent.

2. Changing the structure of the national economy in favor of the commodity production sectors so that their share of the gross national product will rise from 38.8 percent in 1980 to 46 percent in 1985.

3. Effective participation in concluding Arab development and strengthening Arab economic action and development integration by coordinating regional plans and projects and establishing joint projects which will increase bonds among Arab countries, facilitate trade among them and improve the labor force and the transfer of technology.

4. Increasing local revenues in the general budget so as to cover all current expenses and to achieve an increased surplus to help finance capital expenditures.

5. Reducing the rate of deficit in the balance of payments.

6. Providing services and public facilities to all citizens and allocating investments in a manner which is integrated and balanced among all regions.

7. Improving the labor force by expanding the areas of education and training and raising technical and vocational skill levels, endeavoring to achieve a balance in quality and quantity in the labor market and to increase the participation of women in it by providing more educational opportunities to them.

The 1981-1985 5-year development plan is based on the assumption that the process of social and economic development is an integrated process which is not confined to listing projects which are intended to be begun and actions which are expected to be taken but which also requires the adoption of a set of policies in various fields aimed primarily of exercising a positive influence on social and economic activities and guiding them toward effective participation in accomplishing the goals of development.

Given the stage Jordan has reached in its economic and social evolution, this plan requires the investment of sums exceeding the level of investments during the past 5 years.

The accompanying table gives a breakdown of these investments over various sectors and defines the priorities contained by this plan.

1981-5 5-year Development Plan

Summary of Investments in Sectors of the Plan

Sector	<u>Investments</u> (in Billion of Dinars)	<u>Relative Importance</u>
1. Agriculture and Cooperative	234.5	7.11
2. Water and Irrigation	521.7	15.81
3. Mining and Industry	758.8	22.99
4. Energy and Electricity	163.4	4.95
5. Tourism and Antiquities	65.7	1.99
Total: Commodity Production and Tourism Sectors	1744.1	52.85
6. Business and Finance	37.0	1.12
7. Transport	545.5	16.53
8. Communications	106.8	3.24
9. Culture and Youth	9.8	.30
10. Media	7.9	.24
11. Education	226.3	6.86
12. Health	100.7	3.05
13. Social Development	15.2	.46
14. Labor Force	9.2	.28
15. Housing and Government Buildings	308.1	9.34
16. Municipal, Village and Environmental Affairs	175.6	5.32
17. Religious Endowments	6.4	.19
18. Science, Technology, and Statistics	7.4	.22
Total: Services Sectors	1555.9	47.15
Total Investments	3300.0	100.00

Jordan enjoys an excellent investment climate. In addition to the free economy system it follows, Jordan has an excellent strategic position among the countries of the Middle East and of Africa which qualify it to be a commercial and financial middleman among the markets of these countries. Moreover, it has a cadre of administrators and trained labor, a modern system of communications and an integrated financial system.

Law for Encouraging Investment

The basic Law for encouraging investments in Jordan is Law No 53 of 1972 and the amended Law No 60 of 1973 and Law No 16 of 1977. The goal of the law is to encourage investors--Jordanian, Arab and foreign--to invest in economic projects in Jordan. To do this, the law grants attractive terms, guarantees and tax and customs exemptions which can be summed up as follows:

1. Arab capital is treated on an equal footing with national capital and it enjoys all the rights and privileges given to national capital.
2. The government guarantees the right of non-Jordanian investors to transfer their profits, interest and capital abroad in foreign currencies.
3. Government land is provided free for economic projects.
4. Projects are exempt from income tax on profits for up to 9 years and from buildings and land taxes for up to 7 years.
5. Capital imports and equipment required for projects are completely exempt from customs and import fees.

#### Removing Restrictions on Control of Foreign Currency

The central bank has succeeded in gradually lifting restrictions on control of foreign currency and Jordan now enjoys free entry of funds for various investment purposes and free exit of funds for commercial purposes and other legitimate purposes, such as travel, tourism, education, medical treatment and living costs, in accordance with the measures adopted by the central bank, measures of the following sort:

1. Permitting residents and non-residents to bring in and take out unlimited amounts of currency and coins.
2. Permitting non-residents to keep deposit accounts in foreign currencies at local banks, to deposit foreign currencies in them from any source whatsoever and to draw on them without restriction. Jordanian citizens are also permitted to keep deposit accounts in foreign currencies up to 30,000 dinars at local banks.
3. Permitting Arab nationals to buy stocks and bonds issued by Jordanian corporations in any currency and permitting them to sell them and remit their value plus interest in any foreign currency without the prior approval of the central bank.
4. Exempting exporters from re-valuing Jordanian goods exported to Arab countries whatever the value and exempting re-exporters of foreign goods from re-valuing if it is not in excess of 1,500 dinars.
5. Increasing the amounts Jordanians are allowed to transfer and exempting persons making transfers from providing any documentation on the purposes of the transfer on amounts up to the equivalent in hard currency of 5,000 dinars.

#### Law on Companies

The current law on companies in Jordan for companies and institutions outside Jordan permits them to engage in business in Jordan on condition that they are fully recording in the register of companies as is the case with national

companies (both incorporated and regular) which are not allowed to engage in any profit making business activity unless they are recorded in the register of companies. When foreign companies are registered in Jordan, they can operate on an equal footing with national companies. The law on companies also permits foreigners to participate in national companies up to fixed percentages and they can establish their own companies.

#### Income Tax on Companies

Income tax rates imposed on companies in Jordan are considered relatively moderate and are based on the activity of the company. This tax is levied at a rate of 45 percent on the income of financial institutions such as banks, at 40 percent on the income of corporations and private non-industrial companies and at the rate of 38.5 percent on the income of industrial corporations.

However, it should be noted that these rates are currently being modified with the primary objective of lightening the tax burden on the shoulders of the taxpayers. These rates are applied to the profits of national and foreign companies with the exception of income earned abroad (including profits of shares and capital profits) which do not fall within the tax base. Depreciation on assets of companies is calculated using the straight line method on the basis of the original cost. Beside the income tax on individuals and companies, there is an additional tax, the social services tax which is levied at the rate of 10 percent of the income tax. It should be noted that there are not inheritance or gift taxes in Jordan and, so far, there is no tax on capital profits.

#### Industrial Cities and Free Zones Projects

In addition to the exemptions which projects enjoy under the law to encourage investment or any other law replacing it, projects established in industrial cities enjoy the following exemptions:

1. New industrial projects and existing industrial projects which move to industrial cities are exempt from income and social services taxes for a period of 2 years from the date they started production in the industrial city.
2. Existing industrial projects in the industrial cities are exempt from the buildings and land tax.

There is also the free zone organization which is concerned with the establishment of free zones in various areas of the kingdom. Four zones have been established to date: the free zone in al-'Aqabah, the free zone al-Zarqa', the free zone at Queen 'Aliya' Airport and the joint Jordanian-Syrian free zone. These zones store goods for purposes of transit and processing and payment of taxes and fees is suspended unless the goods are withdrawn for local use. It should be noted that permission can be granted in the free zones for the establishment of 15 types of industry broken down into 115 types of secondary industries. Also, projects, whether industrial,

commercial or service, which are established in the Jordanian free zones enjoy liberal exemptions from taxes and fees and other facilities that can be summarized as follows:

1. They are exempt from income and social services taxes for 12 years and all facilities in the free zones are exempt from all taxes and fees.
2. Goods arriving in and exported from the free zones are exempt from all taxes and fees and from fees for conversion of currency except for what is withdrawn for local consumption.
3. Foreign experts who are working in the free zones are allowed to be exempted from income taxes on their salaries and allowances and can transfer those salaries.
4. The free zone can rent uncovered areas, already constructed warehouses or buildings equipped especially for the establishment of industries in return for moderate annual rentals.

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CSO: 4404/128