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# **TRADE POLICY REVIEW**

## **DRAFT POLICY STATEMENT BY JORDAN**

### **WITH RECOMMENDED REVISIONS**

Final Report

September 07, 2008

This publication was produced for review by the United States Agency for International Development. It was prepared by <Dr. Nihal Pitigala>.

# **TRADE POLICY REVIEW**

## **DRAFT POLICY STATEMENT BY JORDAN WITH RECOMMENDED REVISIONS**

DRAFT FOR DISCUSSION

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OF MIT'S TPR GOVERNMENT REPORT TO THE WTO

*DISCLAIMER:*

*The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.*

## Preface

Jordan is currently undergoing its first WTO Trade Policy Review (TPR) since its accession to the WTO in 2000, with final review meetings scheduled in November 2008 in Geneva. The objective of the TPR mechanism is to ensure the smooth functioning of the multilateral trading system by enhancing the transparency of Members' trade policies. All WTO Members are subject to review, at intervals of 2, 4, 6 or more years, depending on their share of world trade. The main GOJ Ministry concerned with WTO compliance is the Ministry of Industry and Trade (MIT), and within it, the Foreign Trade Policy Directorate (FTPD).

At the request of the MIT's FTPD, the USAID Economic Development Program (SABEQ), through its Expanded Trade and Investment Component, has reviewed initial drafts of the Government Report, and provided suggested recommendations for revisions. These are incorporated in this draft report, which has been submitted to MIT on September 10, 2008 for review and for any additional revisions that MIT deems appropriate before submission to the WTO Secretariat.

## CONTENTS

<b>I.</b>	<b>INTRODUCTION .....</b>	<b>1</b>
<b>II.</b>	<b>ECONOMIC ENVIRONMENT, POLICY RESPONSE AND OUTLOOK .....</b>	<b>2</b>
1)	Economic Growth .....	2
2)	Economic Challenges .....	3
3)	Macroeconomic and Structural Policy Reforms .....	3
4)	Outlook .....	5
<b>III.</b>	<b>SECTOR PERFORMANCE AND POLICIES .....</b>	<b>5</b>
1)	Agriculture .....	5
2)	Mining .....	6
3)	Manufacturing .....	6
4)	Services .....	6
<b>IV.</b>	<b>TRADE POLICY FRAMEWORK.....</b>	<b>8</b>
1)	WTO and Doha Development Agenda (DDA) .....	8
2)	Recent Trade Policy Reforms .....	9
3)	Bilateral and Regional Trade Agreements .....	10
4)	Future Direction of Economic and Trade Policy .....	10
<b>V.</b>	<b>JORDAN'S TECHNICAL ASSISTANCE AND CAPACITY BUILDING NEEDS</b>	<b>11</b>



## I. INTRODUCTION

1. Over 15 years of structural reforms—including privatisation of state enterprises, liberalization of the trade and investment regime, and the introduction of modern regulations and institutions— have transformed the resource-scarce Kingdom of Jordan into one of the most open economies in the region. In major international rankings such as the Heritage Foundation’s Index of Economic Freedom and the World Economic Forum Global Competitiveness and Business Competitiveness Report, Jordan ranks among the top group of countries in the region. These reforms have promoted an expansion of trade and investment, the growth of a strong services sector—together with the increasing contribution of Jordanian workers’ remittances—has fuelled the importance of openness and international trade in goods and services to Jordanian economy.

2. Since the 1990s, Jordan has taken significant steps to reform its economy, and accordingly embarked on a **comprehensive political, social and economic reform** agenda with the aim of building a modern state, based on economic vitality with substantial potential for growth and prosperity, political inclusion and social stability. Improvement in the business environment, both on the public and private sector level, has been on Jordan's top priority to unlock the growth potential and transform the country from an economy driven by primary goods into an investment-driven and knowledge-based economy. Trade liberalization, privatization of the state-owned enterprises, structural and institutional reforms, as well as a sound monetary and exchange rate policy have contributed to creating a stimulating economic climate which allowed for high growth rates of both nominal and per capita GDP, despite the effects of major external shocks, including ongoing instability in the region.

3. The reform agenda was implemented through plans and targeted results, including the Social and Economic Transformation Program (2002-2004) and the Social and Economic Development Plan (2004-2006). Further reforms are being pursued through the **National Agenda**, which was developed in 2006 by a national committee comprised of representatives from the government, parliament, civil society, the private sector, media, and political parties, and thus reflecting a national consensus on the aspiration and ambitious of Jordanians. The main objective of the National Agenda is to achieve sustainable development through a transformation program that puts Jordan on a higher economic growth trajectory to achieve an improvement in standards of living and the guarantee of social welfare. It sets ambitious but achievable targets to be realized over the coming decade, among which are: achieving valuable growth in GDP, the creation of income-generating opportunities, reducing public debt, increasing national savings, and reducing the unemployment rate.

4. Under the National Agenda, Jordan's **socio economic development** will be under taken over three consecutive phases, each with a distinct focus. The first phase (2007-2012) focuses on creating employment opportunities by promoting export-oriented, labour-intensive industries, education, infrastructure and legislation regulating political life. The second phase (2013-2017) focuses on gradually upgrading and strengthening the industrial base, and preparing the ground for the development of high value-added sectors in the knowledge economy. The third phase (2018-onward) will focus on evolving selected economic sectors in the knowledge economy.

5. In parallel with the National Agenda, **Jordan Vision (JV) 2020**, a private sector led initiative, was launched as a national strategy for growth with the aim of uplifting the country's current economic status to a level where it can sustain growth across dynamic

business clusters. In partnership with the government, 27 business associations have formed the JV2020 coalition to advocate for necessary reforms and develop strategies that can enhance Jordan's economic performance over the next 15 years.

6. The National Agenda and Vision2020 reform programs broadly recognize the pivotal role of trade in Jordan's socioeconomic development, both as a conduit for expanding market access thereby exploiting comparative advantage, but also as a medium of stimulating competition and scale economies, as well as strengthening supply chains—all of which are critical to enhancing the competitiveness of Jordanian enterprises and creating sustainable employment opportunities for Jordanian workers. Integration with the international trading system is therefore an important element of Jordan's overall economic growth strategy. The Government of Jordan recognizes and supports the importance of maintaining and strengthening the central role of the WTO in coordinating trade policies of its Members and supports the advancement of trade and investment liberalization and facilitation worldwide through multilateral trade negotiations.

## II. ECONOMIC ENVIRONMENT, POLICY RESPONSE AND OUTLOOK

### 1) ECONOMIC GROWTH

7. The Jordanian **economy** continued its positive performance in 2007 despite the surge in the prices of oil and food items in the international markets as well as the conditions of uncertainty in the region and the decline in the size of foreign assistance. This was manifested by the growth of the GDP at 6.0 percent, at constant market prices; the improvement in the competitiveness of the national economy; the reduction of the public debt to GDP ratio; the maintenance of a solid monetary policy and high foreign currency reserves at the Central Bank of Jordan, standing at US\$ 6.9 billion; and the maintenance of the inflation rate within comfortable levels, in the range of 5.4 percent.

8. Jordan's **economic growth** exceeded the rate of population growth of 2.2 percent, has contributed to improving the standards of living of citizens through increasing the per capita GDP which was more than 9 percent over the past two years. Moreover, the economic growth has also contributed in reducing the unemployment rate from 14.0 percent in 2006 to 13.1 percent in 2007.

9. The solid economic performance was mainly driven by an increase in aggregate spending on consumer goods and services; an increase in total exports; as well as the continuing Foreign Direct Investment (FDI) inflows to the Kingdom—all resulting from an attractive investment environment, political security and stability, in addition to the continued implementation of structural and legislative reforms and the adoption of sound macroeconomic policies. The continuing high **inflow of FDI** is a strong sign of the location attractiveness of Jordan, not only due to the sound macroeconomic fundamentals and political stability, but for other core elements of good governance, such as the protection of private property and the general safety from crime, the favourable regulatory environment, the efficiency of authorities and the low level of corruption, the quality of transport and information and telecommunication infrastructure, and a well-developed financial market, all of which have contributed to making Jordan a prime destination for FDI in the region. Besides its role in achieving economic growth, FDI acts as a major contributor to Jordan's **balance of payments**, leading the capital and financial account to record surplus over the past few years. Furthermore, Jordan's balance of payment relies strongly on its continuing high inflow of worker remittances. Net remittances amounted to a surplus of 2,571 million USD in 2007, or 16.3 percent of GDP. It is, thus, a return on investment in education. In

services, the strongly rising net payments for transportation, reflecting growing trade, had led the net services account into deficit. However, tourism receipts had grown significantly to offset this deficit which near 50 million USD in 2007. The income account, however, has been strongly positive in recent years, due to growing net income from employee compensation and investment, reaching 807 million USD.

10. As for external trade developments, total merchandise exports grew by 9.5 percent in 2007, exceeding the rate of growth in world exports. This was the direct result of the growth in the value of direct exports and re-exports by 8.5 percent and 13.3 percent, respectively. Overall, external trade (exports plus imports) was up by USD 1183 million, or 14.9 percent, to reach USD 9123 million in 2007, compared with an increase of the amount of USD 788 million, or 11.0 percent in 2006. This has further boosted trade shares of GDP, reinforcing Jordan integration with the rest of the world.

## 2) ECONOMIC CHALLENGES

11. Despite these positive economic developments, recent external developments have instilled pressure on the Jordanian economy. The liberalization of the trade regime, combined with the increasing costs of non-dollar priced goods, resulted in growing imports, including the “import” of inflation, and widening the fiscal and external deficits. .

12. Between January and April 2008, the monthly consumer price data has jumped to 11.9 percent. This is mainly due to the one-off effect of the fuel price rise after fully abolishing fuel subsidies, implemented in early February 2008. A second effect may be more persistent in the medium term—rising import prices for food and for goods. To contain inflationary pressures, the Government has recently targeted policy measures such as raising the salaries of public employees as well as certain social benefits in order to soften the purchasing power shock to consumers from the sudden jump in fuel prices. Moreover, withstanding the temptation and political pressure to introduce price controls on basic foodstuff, the government instead lifted import duties and sales taxes on some basic food products, thus alleviating to some extent the pressure from rising import prices.

13. In recent years, net inflows from grants, foreign aid and other **public transfers** were a major supporter to Jordan’s balance of payments, amounting to 14 and 12 percent of GDP for the years 2003 and 2004. Since then, however, public transfers have significantly decreased to just 2.4 percent of GDP in 2007. This demonstrates that grants and foreign aid, while still important contributions to some sectors of public expenditure, have become less important as a factor of macroeconomic support for Jordan’s economy and balance of payments. These challenges resulted in additional burden on the budget which demonstrated a deficit amounting to USD 439 million in 2008 or 5.5 percent of GDP. Although the Jordanian economy has been going through a rapid and noticeable development over the past five years, unemployment and poverty have been of the most significant problems facing the Jordanian economy. Official statistics indicate that the unemployment rate has averaged 14.0 percent for the past three years. Reasons for this include the limited amount of natural resources, high population growth (including inflows of neighbouring country refugees), the dominance of low labour-intensive sectors (services) among the growing sectors in the economy, and the unstable economic and political situation in the region.

## 3) MACROECONOMIC AND STRUCTURAL POLICY REFORMS

14. Jordan has fared well with **pegging the exchange rate** of the JD to the USD. This has anchored monetary policy and prevented an even larger deterioration of the current account last year, when there was upward pressure on the Dinar. This has also provided the

economy with a welcome element of stability, adding—together with full convertibility—to the attractiveness of the Jordanian economy as a destination of inward investment and to the dynamic development of its financial sector.

15. Despite these major challenges for the economy, the government has kept its course of **fiscal prudence**, containing the budget deficit at 5.4 percent of GDP. The recent debt buyback agreement with Paris Club members, which was executed in March 2008, will substantially reduce the debt service burden of the budget.

16. Among its efforts towards **combating poverty** and **reducing unemployment** to minimize their negative impacts on the national economy, the Government of Jordan implemented several policies and programs aiming at dealing with these problems, focusing on developing the capacities of the civil society organizations, which include individuals, cooperatives and private sector through the supporting of a **Social Safety Net** and the Social and Economic Productivity Enhancement Program. It is worth mentioning that the government adopted a new program for Employment and Combating Poverty aimed at implementing a package of short and medium term measures and activities to reduce incidence of poverty in the country, providing a social protection umbrella for the poor who are unable to work, and increase the ratio and level of Jordanian participation in the labor market.

17. Building on these efforts, Jordan has adopted a strategy that focuses on investing in its people, by fostering excellence, creativity, innovation, competitiveness, productivity, global standards and entrepreneurial spirit. Jordan boasts impressive **human development** indicators given its meagre resource-base; the human development index (HDI) for Jordan is 0.773, which gives the country a rank of 86<sup>th</sup> out of 177 countries, with a literacy rate that reached 91.1 percent in 2007.

18. Acknowledging the global shift from a resource-based into a **knowledge-based economy**, and the pressing need to incorporate enhanced levels of student learning capabilities, analytical skills, and computer literacy at every stage of the education process, the Government has embarked on an ambitious program to maximize the efficiency of the educational system, which has emerged as a Jordan's comparative advantage among its regional peers.

19. The Government continued, in 2007, the introduction of structural reforms through implementing and executing several privatization transactions. Jordan commenced its **privatization** program in 1996 with the aim of rebalancing the role of the public sector in the economy. The program concentrated on national infrastructure and utilities—including transport, electricity, water and telecoms—and adopted a multi-track approach through facilitating capital sales (e.g., IPO, divestiture, etc.), sales to strategic investors, concession agreements, management contracts, and franchising and other methods including BOT and BOO.

20. Jordan's privatization program has been one of the most successful of such programs in the region and it has contributed to increasing the efficiency and hence production levels of privatized firms, creating a competitive market where demand and supply can freely interplay, attracting foreign direct investments, allowing the private sector to participate in infrastructure investments, deepening and developing the Jordanian financial market, and most importantly, limiting the role of the Government to that of the regulator rather than that of the producer of goods and services.

21. Moreover, the Government recently undertook several reform measures to improve **public administration and governance** in the country, including issuing a new Anti-Corruption Commission Law (2006); enacting the Diwan Al-Mathalem Law (2008) that establishes the Bureau of Grievances in Jordan; and finally ratifying the Financial Capability Disclosure Law (2006). International comparisons on issues of public governance reveal that Jordan ranks near the top of the list among the MENA countries in terms of overall governance effectiveness as well as individual categories such as 'government effectiveness', 'regulatory quality', and the rule of law.

#### 4) OUTLOOK

22. As a consequence of these **fiscal and external vulnerabilities**, real GDP growth is expected to ease slightly to 5.5 percent in 2008, with continued robust activity in construction and tourism broadly offsetting weaker external demand.<sup>1</sup> Despite these challenges, inflation is projected to 9 percent (year-on-year) by December, as the fiscal tightening envisaged by the Government is implemented.

23. **The fiscal and external imbalances are projected to narrow gradually over the medium term.** Under the baseline outlook, growth is projected to recover to 6 percent—broadly in line with the historical trend—supported by continued strong investment inflows, especially from the region. As the effect of the recent fuel price adjustments on headline inflation wears off, and given the exchange rate peg, inflation is expected to converge to trading partner countries' levels. The fiscal deficit is projected to come down moderately to 4.5 percent of GDP by 2013, with lower spending—in relation to GDP—more than offsetting the decline in grants.

### III. SECTOR PERFORMANCE AND POLICIES

#### 1) AGRICULTURE

24. Although the average contribution of the agricultural sector to GDP is only 4 percent, it is one of the most important economic sectors; it is the nucleus of income and development of the rural areas where approximately one-fifth of the Jordanian population resides. The Government has made significant efforts in the last years, on the one hand, to raise the productivity of agricultural production, mostly by improving the after-tax profitability of investments in the agricultural sector. On the other hand, it has cut its trade-distorting subsidies in line with its WTO obligations. Notwithstanding Jordan's international trade obligations, maintaining a healthy and productive agricultural sector is a core political aim not only for economic but also for social reasons.

25. Due to its year-round warm climate, Jordan is able to export fresh fruit and vegetables year round, giving it a competitive advantage over other markets. A small but healthy market for live animals, fruits and vegetables, and olive oil, exists mainly in the Gulf region and European markets. The sector has witnessed a significant improvement on the one-to-four ratio of agricultural exports to imports in 2003. Between 2003 and 2006, exports increased by 90 percent, whereas imports just 40 percent. This was an assured result of the sound policies to encourage agricultural and rural development in order to secure sustainability of this sector and cope with the challenges it is facing. Eliminating the sales tax on agricultural inputs was the latest decision taken in this regard.

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<sup>1</sup> Based on historical correlations, a 0.5 percentage point decline in global growth would reduce growth in Jordan by 0.1–0.3 percentage points. (IMF Country Report No. 08/290)

## 2) MINING

26. Jordan's mining industry is a principal generator of national income. It accounts for over 5 percent of gross domestic product and 25 per cent of export earnings. The mining sector in Jordan consists of minerals extraction industries (mainly phosphate and potash) and construction materials (stone and marble).

27. Jordan is a major producer and exporter, in terms of world market share, of potash and phosphate which make up its main natural resources. A minor share of both products, 12 percent of tons mined, is processed in the country into fertilizers, thus increasing the domestic value-added from these primary resources, earning more in export value than the 88 percent of potash and phosphates that are exported unprocessed.

28. To further expand the potential of Jordan's phosphate deposits, a feasibility study is currently under way exploring the economic options of extracting uranium from phosphoric acid produced by fertilizer plants. Jordan also has vast reserves of oil shale which due to their comparably favourable geological properties could be tapped profitably at current or higher oil price levels in various ways that have been studied extensively for some time. Currently, technical and commercial feasibility studies are being undertaken to prepare the ground for major commercial investments in the sector.

## 3) MANUFACTURING

29. Currently, manufacturing (without construction) accounts for 18 percent of GDP. Developing the manufacturing sector by improving its competitiveness in an open market both locally and internationally is a core goal of Jordan's national industrial policy, the more since it is seen as essential for reducing the huge gap between imports and exports. The main sectors of significance to the Jordanian economy are the pharmaceutical industry, Dead Sea Cosmetics, Textile and Clothing, Automotive industry and Electronic and Household Appliances, their growth are a consequence of a combination of domestic, regional and international market developments. The industrial policy in Jordan, however, does not follow a discriminatory "picking winners" course of favouring certain manufacturing sectors deemed promising over others. A strategic reorientation that is underway for Jordan's Industrial Policy puts particular emphasis, however, on measures to increase the competitiveness of small and medium-size enterprises which by employment account for the bulk of manufacturing sector. Moreover, an investment strategy is being developed through which promotion and marketing activities will focus on potential industries that could offer favourable prospects for business such as the food-processing (agri-food) sector, the pharmaceuticals, cosmetics, textile and garments, IT and automotive sectors. The following provides highlights of Jordan's largest export-oriented manufacturing sectors:

## 4) SERVICES

30. Jordanian overall economic performance is dominated by the dynamically growing services sector which accounts for two-thirds of GDP. The service sector is highly liberalised due to Jordan's wide-ranging GATS commitments when acceding to the WTO. Within the balance of payments, the service account deficit has steadily improved over the last years from -141 Million USD in 2003, to 50 Million USD in 2007 due to rising net income from travel and tourism and from "other services" which are countering the growing deficit in the transport sector.

31. **Financial services** liberalisation has led to the establishment of numerous foreign and domestic banks in Jordan. A well-functioning capital market also provides for efficient lending to the private and public domestic sector. The liberal regulatory environment and the smooth operations and liquidity of the Amman Stock Exchange have become major factors

of attractiveness for foreign investments. The insurance industry, subject to slightly more restrictions than banks, is less developed so far than the banking industry, but has been picking up growth in recent years.

32. Liberalisation and privatisation of the **telecommunications** sector and opening it to FDI has given a major stimulus to the development of the **ICT** sector in Jordan. Based on a well developed fixed and mobile telecommunications infrastructure, thriving ICT research and university education, and a qualified English and Arab speaking labour force, the sector is evolving dynamically. While most of ICT activities (more than 80 percent) serve the domestic market, IT consulting and software development have an export share of more than 40 percent. Developing the ICT sector plays an essential role in the National Agenda goal of transforming Jordan into a knowledge-based economy. To further exploit Jordan's information technology capacity and the creativity of its people, the government, in collaboration with the private sector, is in the process of finalizing an E-Commerce Strategy that aims at making Jordan a 'leading' e-commerce centre in the region.

33. The **transport and logistics** sector plays a vital role for Jordan's position as an important regional trade node. Improving the efficiency of the road transport and the railway network, for goods transport as well as for passenger service, is an important component of the national transport strategy, as well as the expansion of port and air traffic facilities.

34. The **tourism** sector has become increasingly important for Jordan's economy. It is the largest services export sector, amounting for 68 percent of total receipts of the services account in the balance of payments (2007) and the largest private sector employer (directly and indirectly). In the last two years tourism has recorded high growth rates. The Jordanian tourism industry operates in a very competitive environment in which the country is successfully promoted as a high yield niche destination.

35. Jordan has given great attention to **education**, in particular, which considers as a strategic sector of the Jordanian economy. Its educational system is of international standards and its secondary education program is accepted in world-class universities. Jordanian universities and colleges have been successful, over the last few years, in attracting an increasing number of foreign students to Jordan. The main part of this is due to deliberate actions, on behalf of the Government and universities, to reach to a comprehensive, high quality education system

36. Jordan's political will in strengthening **R&D** infrastructure and linking its activities with national objectives of development was reflected in providing funding to strengthen the links between economic sectors and university Research and Development (R&D) programs, providing incentives for private companies to participate in R&D, and to enhance patent registration and intellectual property protection.

37. Over the last two decades, Jordan's **health services** improved dramatically. The relatively advanced physical infrastructure and technologically advanced medical equipment used in Jordan's healthcare sector ranks Jordan relatively high on a regional level and has long been a centre of medical expertise across the Middle East and North Africa. Jordan is aiming to lead with regards to medical tourism in the region.

## IV. TRADE POLICY FRAMEWORK

### 1) WTO AND DOHA DEVELOPMENT AGENDA (DDA)

38. Jordan's trade policy is predicated upon developing Jordan into a **regional trading, services and financial hub**. Its commitment to contribute towards the strengthening of a free, open and stable multilateral trading system is evidenced by the tremendous progress that the GOJ has made in further liberalizing its post-WYO accession trade environment. Jordan has been a member of the WTO since April 2000. It has fully implemented its wide-ranging commitments under the GATT, GATS and TRIPS agreements. It has signed the Information Technology Agreement (ITA) and is currently in an advanced stage of negotiations for its accession to the Government Procurement Agreement.

39. The GOJ is dismayed at the collapsed Doha Round talks as it believes that a global trade package could expand economic growth and opportunity for all member states by cutting cut subsidies drastically, lowering tariffs significantly, and opening up services markets. With regard to its own positive experience from trade liberalisation, it considers the success of the DDA negotiations as paramount for its own prosperity and for the region's and the global economy's prospects, the more so with a view to the risks to global growth resulting from the current financial crisis. The failure to revive DDA would mean a triumph for protectionism, which would be detrimental to the multilateral trading system and interests of all countries, particularly the smaller and developing members. Jordan will spare no effort in working with all WTO members in any attempts to revive the Talks

40. At the same time, Jordan falls under small and vulnerable economies (SVE), and as a Net Food Importer Developing Country (NFIDC) calls for additional flexibilities in this round of agricultural negotiations. Jordan upholds Doha and Hong Kong mandates for phasing out export subsidies, more stringent rules on domestic support, and allows developing countries to designate special and sensitive products (SP) in addition to creating a new Special Safeguard Mechanism (SSM) while eliminating the SSG.

41. In terms of non- agricultural market access (NAMA), Jordan is actively participating in the "recently-acceded members" (RAMs); it has submitted a proposal, with other members, as small and vulnerable economies (SVEs). Therefore Jordan is calling for additional flexibilities, welcoming a balanced tariff reduction formula, which will allow these groups of countries to achieve rewarding industrial policies and diversification objectives as well as effective market access for their exports. Jordan also strongly supports eliminating all market access barriers on products of export interest for developing countries.

42. Jordan believes in the important role of the services sector in economic and social development, therefore, Jordan calls for the need to have a balanced outcome in services negotiations that will improve access conditions for the different modes of supply, as well as to establish effective disciplines on domestic regulation that would enhance access to markets.

43. The successful negotiations and the agreement on Trade Facilitation is one of Jordan's priorities to ensure the harmonization of legislation and the supply chain logistics as well as development and technical adjustment requirements.

44. Jordan also supports improvements in the current trade remedy rules as well as the positive and equitable implementation of the aid for trade.

## 2) RECENT TRADE POLICY REFORMS

45. Since accession, the Government of Jordan has made substantial strides in undertaking additional trade policy reforms to support its multilateral integration:

46. Jordan bound 100 percent of its **tariff** lines upon accession and more importantly has achieved a simple average MFN tariff of 11.5 percent compared to the 16.4 percent average in its bound rate, exceeding its commitments under WTO. Within the non-agriculture sector, the comparative figures are, respectively, 10.4 percent and 15.2 percent. Jordan's degree of "tariff overhang"—the degree to which applied tariffs differ from bound rates, moved from an average -1.5 percent (calculated as MFN bound rates minus MFN applied rate, in percent) between 2000 and 2004 to a (positive) 4.0 percent in 2006. With recent efforts to phase in zero-rating of non dual use intermediate goods, the spread is likely to be even larger. Despite external shocks (breakdown of the Iraq market in the wake of the 2003 war; steep rises of energy imports since 2005), Jordan has renounced mercantilist temptations and opted for a deliberate policy of growth through trade.

47. Upon joining the WTO, Jordan undertook to negotiate accession to the **Government Procurement Agreement** in order to have access to this potential market. Jordan has made serious and substantial steps towards accession, including revising its domestic procurement legislation, although further revisions may be necessary to ensure compliance.

48. In line with Government's view for promoting innovation in the country, great progress has been made in strengthening **intellectual property rights** (IPR) protection pursuant to the TRIPS agreement of the WTO and other multilateral and bilateral trade agreements, and has established an effective institutional and legal framework through a set of modern IPR legislations covering trademarks, patents, copyrights, industrial designs, geographical indications and trade secrets. Also, Jordan has acceded to important international IPR agreements and treaties such as the WIPO Copyright Treaty and WIPO Performances and Phonograms Treaty, and is currently in the process of acceding to other international agreements such as the Patent Cooperation Treaty for international protection of patents and Madrid Protocol for international registration of trademarks.

49. In order to further enhance IPR enforcement, the Government plans to establish an IPR entity that will be responsible for coordinating efforts of IPR agencies in the country. Also, the Police Department has recently established a specialized IPR Division to work closely with the relevant IPR agencies as an ex-officio authority in market surveillance.

50. The Government of Jordan has also undertaken important steps to enhance **trade facilitation**. Jordan Customs has developed standards for certifying operators to implement the WCO Framework of Standards to Secure and Facilitate Global Trade through the "Golden List" program, established in 2005. In July 2008, Jordan Customs signed a Mutual Recognition Agreement with the United States Customs and Border Protection, which recognizes the compatibility of the Golden list program with the US C-TPAT.

51. In progress are efforts to establish a **one-stop window** for imports to reduce the burden on importers and speed up clearance times. In addition, as part of efforts to enhance **risk management** procedures and further reduce clearance times, the current ASYCUDA++ system is being upgraded to ASYCUDA World, which has already been deployed in four customs houses and will be phased in to most of the others.

52. Given the resource constraints and fragile **environment** in Jordan, the Government has utilized trade policies to promote sustainable development. Based on the OECD classification of environmental goods, out of 224 environmental goods defined at HS 6- or 8-

digit level, Jordan exempts 133 from duties, while another 26 are in the 5 percent to 10 percent range. A number of items (36) are subject to dual use and are exempted when utilized by industry. The government has also fully exempted most renewable energy and energy saving devices from sales tax and customs duties.

### 3) BILATERAL AND REGIONAL TRADE AGREEMENTS

56. Besides its demonstrated commitment to multilateral system, Jordan has pursued a strategy of regional and bilateral trade liberalisation to gain additional preferential market access in exchange for opening up its own import market and further exposing its businesses to the benefits and challenges of international competition. These WTO-consistent agreements are aimed at promoting export-led growth in Jordan and viewed principally as stepping stones for multilateral liberalization.

57. **On the regional front**, Jordan is an effective Member in the Greater Arab Free Trade Agreement (GAFTA), providing for full liberalization of trade in goods in the markets of (17) Arab countries as of January 2005. To further enhance economic integration between Arab countries and the European market, Jordan also signed Aghadir Agreement which establishes a Free Trade Area between Jordan, Egypt, Tunisia and Morocco allowing for accumulation of origin between the four signatory countries for the purpose of exporting duty-free to the EU.

58. **Bilaterally**, Jordan has an FTA with the US which aims at progressively eliminating tariffs so that by 2010, there is complete free trade between the two countries. ~~Also~~, Jordan's Qualifying Industrial Zones Agreement allows quota free and duty free access to the U.S. market. Jordan also signed an association agreement with the European Union (EU) in 1997, with fully liberalized free trade to be achieved within a 12 year period. In the same context, Jordan signed an FTA with the EFTA states (Switzerland, Norway, Iceland and Liechtenstein); both agreements are in force since 2002. Jordan is the first country in the Middle East to sign an FTA with Singapore creating a gateway for business partnerships in the region and South Eastern Asia as well, the agreement entered into force in 2005. Further bilateral preferential trade agreements and FTAs are being negotiated with Turkey, Canada, and MERCOSUR.

### 4) FUTURE DIRECTION OF ECONOMIC AND TRADE POLICY

60. Complementing its domestic structural reform and modernization policy, Jordan will continue to conduct an active trade liberalization policy, focusing on multilateral liberalization while seizing the sensible opportunities of improved market access through bilateral and regional FTAs.

61. The Jordanian government is aware of the long path still before it on the way towards the goals of the National Agenda. In the wider context of national economic, structural and administrative reform the government is currently discussing a draft National Trade Strategy which is to serve as a guideline to policy makers as well as to business and to the general public, focusing the minds of the former in their deliberations and decisions while creating a climate of consistency, reliability and predictability for the latter. Banking on Jordan's competitive assets, its geo-economic location in a prospering region, its well-educated people and most of all its stable political, legal and social fabric, the National Trade Strategy aims at continuing transforming Jordan into an open economy with low and non-distorting trade barriers, with streamlined administrative and regulatory procedures for trade and investment, developing its sectoral export base and broadening its export markets. In this way, Jordan will be able to unleash and expand its competitive advantages, moving forward to a dynamic, knowledge-based economy whose industry and services are taking full profit

from the changing international division of labour, thus increasing overall economic welfare and raising the living standards of the Jordanian people.

62. Deregulation and streamlining of administrative procedures will have to continue. The government is aware of the importance of facilitating business activity, whether investment and establishing new businesses or alleviating the regulatory burden to established businesses. Industrial estates/zones can serve as an exercise ground to test the practicability of easing administrative and regulatory procedures. Eventually, however, such administrative facilitation as has proved its practicability will have to be applied throughout the country.

63. With income from tariffs declining, the government has embarked on a fiscal reform program to maintain a sufficient degree of budgetary manoeuvrability. Broadening the tax base while reducing tax rates wherever possible and appropriate will be the course to follow. On the expenditure side. The abolishment of fuel subsidies accompanied by support for personal incomes has been a major, perhaps the most important step in this direction.

64. Privatization of state-owned economic assets, such as in the transport, communication and energy sectors will continue, but for the time being the state will keep controlling minority stakes in major industries. Privatization has been beneficial in so far as it has increased the efficiency and managerial capabilities of the respective industries, attracted FDI and improved the competitiveness of privatized industries. Further privatization will proceed carefully, taking into account market conditions. It will have to make sure that an adequate degree of domestic value-added is achieved. State ownership will be retained where it serves pursue wider economic objectives, especially where substantial positive externalities exist.

## **V. JORDAN'S TECHNICAL ASSISTANCE AND CAPACITY BUILDING NEEDS**

66. To enable Jordan to effectively integrate its economic sectors in the global economy and realize the benefits of the multilateral trading system and the outcomes of the Doha Development Round, technical support is needed in the following areas:

- 1- Capacity building and public awareness programs in trade policy areas such as competition policy, IPR, trade defence instruments, customs reform, notification requirements under the WTO agreements.
- 2- Economic and environmental impact assessment studies on trade related matters and sector specific studies, including impact assessment of legislations and technical regulations.
- 3- Capacity building for government officials in trade negotiation skills and trade policy issues through specialized training courses and internships at the WTO Secretariat.
- 4- Establishing a cooperation program between the WTO and a selected Jordanian university to develop a university degree on WTO issues in the departments of Law or Economics.
- 5- Upgrading the capacity of regulatory bodies responsible for setting technical regulations and sanitary and phytosanitary measures to ensure the compliance with the TBT and SPS Agreements through the following:
  - Upgrading current testing facilities and establishing testing facilities and labs for selected fields (gasoline and diesel; and Electro Magnetic Compatibility (EMC); and energy efficiency in electrical equipment; food laboratories; plant and animal

- quarantine facilities; testing capacities for residues of fertilizers, veterinary drugs and vaccines)
- Enhancing food inspection capacities through establishing a Food Information Management System (FIMS).
  - Training on specific conformity assessment modules such as supplier declaration and type approval.
  - Supporting the accreditation of food laboratories.
  - Establishing the necessary risk management systems.
  - Establishing systems for recognition of equivalence of SPS measures.
- 6- Upgrading the capacity of relevant entities responsible for trade facilitation through the following:
- Financing authorized legal transaction of trade regulations; procedures and publication on the internet.
  - Organizing training courses for customs officers and the related parties.
  - Know how transfer; in addition to implementation of best international practices, particularly those related to notification of trade related publications.
  - Upgrading Customs' infrastructure in terms of computerized systems, PCs, telecommunication networks, and quality of provided services.
  - Establishing needed infrastructure for introducing Single window system and providing international resident experts to assist in implementation.
- 7- Upgrading the capacities of Jordanian businesses, particularly SME's, including agricultural producers, to enhance their competitiveness and export capacities, through improving energy efficiency; enhancing the use of renewable energy by industries; enhancing capacities in packing and classification of agricultural products; attaining Good Manufacturing Practices (GMP) for pharmaceutical industries; creating marketing channels for Jordanian exporters in WTO member markets through match-making and business to business meetings; and other means.
- 8- Provide technical assistance and capacity building to improve Jordan's e-commerce environment and support the implementation of Jordan's e-commerce strategy.
- 9- Technical assistance and capacity building support to R&D institutions, particularly in trade-related areas.

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