

JORDAN

Open for business

The

Hashemite Kingdom of Jordan may be a relatively small country, but its influence is substantial.

Its importance comes not only from its strategic position at the crossroads of the Holy Land, but also its role in pushing political, social and economic reform in the region. Nestled between Israel, Saudi Arabia and Iraq, Jordan boasts one of the most open market-oriented economies in the Middle East, with established phosphate and potash mining industries, and blossoming tourism and service sectors.

Pursuing an ambitious privatization program, which will see key sectors such as energy and telecommunications released from government control, the country joined the World Trade Organization four years ago and is the first Arab country to sign a free trade agreement with the United States.

"In all aspects, Jordan has undergone serious economic reform to the point where we are enjoying almost 7% growth this year," says Deputy Prime Minister Dr. Marwan Muasher, who sits at the heart of a new government structure which has been organized to oversee economic change.

Jordan is eager to attract additional foreign capital to continue this growth and, according to Muasher, investors will find a system geared to facilitating financial involvement from overseas.



Ahmad Thougan Hindawi
Min. of Industry & Trade



Mohammed Baderkhan
JPMC

"Our government institutions are working efficiently and are able to provide investors with clear objectives and measured performance indicators for each sector," he says.

On the political front, Jordan has been instrumental in getting the Arab League to agree on principles of political reform. A champion of this initiative is King Abdullah II, who came to the throne in 1999 following the death of his father, King Hussein. Educated in Britain and the U.S., King Abdullah has put social and economic reform on the agenda, and backs both the promotion of women's rights and freedom of the press.

At peace with Israel, and proactively forging links with the burgeoning Iraqi private sector – many Iraqi businesses are currently working out of Jordan – the country has created a stable platform from which to push on to the next stage of its ongoing development.

This augurs well for Jordan's inhabitants, half of whom are under the age of 18. According to former Minister of Planning and International Cooperation, Dr. Bassem Awadallah, 23% of the country's current population of 5.6 million will enter the job market in the next 10



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years, meaning continued economic growth is inevitable.

Jordan's Minister of Finance, Dr. Mohammed Abu-Hammour, certainly thinks so. He says: "Anybody who comes to Jordan to invest is making money. The rate of return is no less than 18% and, in some cases, it's as much as 30%." He points to recent fiscal reforms and free trade agreements as the main drivers behind last year's GDP hike and a 30% increase in exports.



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Issa Ayyoub
Arab Potash Company



Ali Madadha
Free Zones Corporation

At the country's Central Bank, governor and chairman Umayya Toukan says his monetary policies have been aimed at creating stability, whilst providing enough liquidity to finance real economic progress. "Today, I can say that our banking system is very healthy," he says.

Central to economic reform in Jordan is a drive towards the privatization of state-owned companies. According to Adel Al-Kodah, chairman of the Executive Privatization Commission, over \$1.26 billion has been invested in newly-privatized companies since the program began in 1996, with much of this capital coming from the U.S. and Europe. "We removed all obstacles in front of the private sector by ending monopolies and changing laws," he says.

Overseen by large financial advisers, such as JP Morgan and Merrill Lynch, recent privatization projects have included the Arab Potash Company, the Aviation Authority, Jordan Cement Factory and Jordan Telecom. Further opportunities exist in the mobile telecoms sector, as the regulatory commission recently announced it will make more licenses available.

According to Ahmad Thougan Hindawi, Jordan's Minister of Industry and Trade, the country's economy has witnessed "tremendous changes" in recent years, with new trading partnerships and more investment.

Alongside the free trade agreement with the U.S., Jordan has signed similar pacts with key partners in Europe and the Arab states. Investors in Jordan need to know that they too have access to these markets. "These agreements have opened the market for Jordanian goods to over one billion people, and forced us to improve competitiveness and the quality of our product," he says.

Hindawi points out that Jordan has attracted more than \$600 million worth of investment in the past two years, while exports to the U.S. have also increased to more than \$650 million.

Much of this business has been facilitated by the Jordan Investment Board (JIB), which was established to help investors enter the market as easily as possible. JIB has been instrumental in removing many of the bureaucratic hurdles that once deterred investors from the region, and acts as a one-stop-shop offering information on commercial opportunities, legal consultancy and contacts with the relevant authorities.

"Everything is now in one place. It is very simple," says Reem Badran, the investment board's former CEO. "If investors want to license their project, obtain visas and work permits, buy a piece of land or get approval, they need only deal with JIB." The organization has improved efficiency to the point where, on average, potential investors can now receive an answer to their query within 14 working days.

The path to Jordan's door will be eased further by the introduction of an electronic application process, and plans are afoot to merge JIB with other entities that coordinate the activities of investors to bring all investment inquiries under one umbrella organization. JIB's sole purpose is to make it easier for people to do business in Jordan.

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In 1975, on the lonely southern shores of the lowest & saltiest sea in the world a tent was pitched; Today the Arab Potash Company produces 2 million tons of Potash for the fertilizer & chemical industry worldwide. Its annual revenue is USD 400 million and is in the midst of an ambitious investment program to double this by 2008. The Arab Potash Company is a part owner of a chartering, ship agency, & Dead Sea cosmetic companies. It has interest in a salt facility and in a company producing Magnesia. It has joint venture companies producing Potassium Nitrate, Di Calcium Phosphate, Bromine & Brominated Chemicals.

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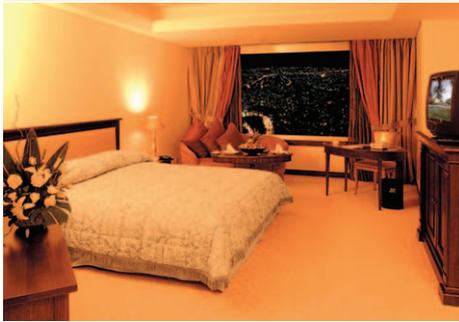
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This willingness to attract investors is reflected in new laws that allow foreigners to buy land outright and profit from a number of tax incentives. The government has also established 27 public and private free zones throughout the country. Here, goods can pass exempt from customs duties or import taxes and industrial facilities may be leased from the government at reduced rates.

The amount of trade passing through these zones increased by 43% in 2004, according to Ali Madadha, director general of the Free Zones Corporation, who sees this as evidence of Jordan's growing reputation as a trading hub in the region. He says: "We are a service-oriented economy, and are open for international business and free trade. Our vision is that the whole country should convert into one big free zone."

Another major industry in Jordan is tourism, and despite ongoing concerns about security in the region, the country remains a peaceful haven. It is a popular destination for holidaymakers drawn to world-famous attractions like the ancient city of Petra and the Wadi Rum oasis. In fact, the latest report from the World Travel and Tourism Council forecasts an average growth of over 4% in tourism GDP over the next 10 years.

In Amman, quality hotels like the Grand Hyatt and Le Royal are targeting the meetings, conventions and conferences market.

Klaus Graesslin, general manager at Le Royal, believes the Ministry of Tourism has taken a keen interest in developing this sector, while Josef Kral at the Grand Hyatt praises "the work of the King in supporting a market that is growing at speed."

Growing the economy

Another major tourism attraction is the Dead Sea, but for those aware of its geological make-up, the name given to the world's saltiest natural lake must seem a misnomer. Based at the southern end of the Jordan river, it is one of the greatest mineral reservoirs known to man – alive with over 43 billion tons of salts and minerals, two billion tons of which is potassium chloride, otherwise known as potash. Primarily used as an agricultural fertilizer, potash is a mainstay of the Jordanian economy. Central to the mining, manufacture and transportation of the mineral is the Arab Potash Company (APC). Formed in 1956, APC was given a concession by the government to exploit and market the resources of the Dead Sea for 100 years.

New laws allow foreigners to buy land outright and profit from a number of tax incentives.

Today, the company employs over 4,000 workers and boasts revenues of \$700 million, with 70% of its exports going to China, India and other Asian markets. Plans are afoot to increase production levels, which stand at 1.9 million tons a year, to 2.4 million tons by 2007, through capital investments in new equipment. Much of this will be financed through the government sale of 40% of its shareholding. "To push forward with these efforts, an injection of foreign capital is needed," says APC's chairman Issa Ayyoub.

At the Jordan Phosphate Mines Company Ltd. (JPMC), another major player in Jordan's fertilizer sector, acting general manager Mohammed Baderkhan emphasizes the need for the industry to move toward an increase in downstream activity. Exporting ready-to-use, processed fertilizers, he says, will add far more value than simply

selling freshly-mined phosphate. "We are perfectly positioned to integrate our domestic phosphate industry to offer the finished product. We have both the raw materials and the expertise," he says. "What we need to make it happen is investment in technology and industrial plants."

According to Baderkhan, Jordan's geographical position near the Suez Canal and port of Aqaba gives the country a huge advantage when it comes to shipping the product abroad. It will also be crucial in helping feed the increasing demands of the giant Asian economies. "As the demand for better diets starts to grow in these developing countries, we will be in the perfect position to feed the world," he says.



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