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OF THE REPUBLIC OF UZBEKISTAN**

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**THE SITE AND THE ROLE OF THE FREE ECONOMIC
ZONES IN JORDAN'S ECONOMY**

QUALIFICATION WORK

5341000-Region specific (Economy and Country specific studies –
MENA countries) studies

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Tashkent - 2011

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INTRODUCTION

Value of qualification work theme. On occasions market economy, the rebuilding mechanism communications of the foreign economy, for the attracting the foreign investments to our country, for the population of Uzbekistan Republic in the international area, for the developing economic integration with foreign investors and businessmen---creation of the free economic zones are necessary for the country.

Today, in integration occasion, the free economic zones are available and necessary for the solving Uzbekistan's export in economic development politic and producing goods and exporting them for other countries, likewise, accomplishing "open-door politic" in Uzbekistan and using overseas trade of other developing countries, especially, like Germany, France, Japan, South Korea, Turkey, China countries' experience of overseas trade policy for the attracting foreign investments in Uzbekistan gives positive efficiency for the development of our national economy.

Naturally, the attracting foreign investments for our national economy's different sectors, principally, for the activity producing off the shelf items to the export for the different sectors are considered. Treasures of terrestrial and underground Earth of our country, skilled labors, the confident of the geographically place and using other opportunities of our country, creating the free economic zones in our country compatible with the world is necessary for attracting foreign investments to our economy.

Jordan is one of the developing countries of MENA's area, Free economic zones are necessary for its economic national development. Creation of the Free economic zones in Jordan's national economy are necessary for attracting foreign investments and they are serving for foreign tourists being more and more.

Therefore, creation of the Free economic zones in Jordan and dissect its experiences, using efficient its experience in our country “Navoi” industrial economic zone is good for developing it is today’s necessary task and it’s neediness of theme.

Heeding big attention for the attracting foreign investments in our country is giving positive benefits. In “Navoi” Free-industrial economic zones circumstances for the business men, so this is the place for other foreign business men also, they can start up their business and achieve lots of advantages, this is the place where is given big opportunities and prerogatives.¹

And, the accentuating The President of Uzbekistan Republic Islom Abduganiyevich Karimov “In 2010, in “Navoi” Free-industrial economic zones, agreements with foreign investments are signed for the 19 investment projects. According to these projects, 7 companies are rendered to be using in the world market”.²

Degree of qualification work learning. In experience of the world economy, the accumulation experience of the creation free economic zones and according to the international laws, creation free economic zones in our country, therefore, developing techniques and put them in order way these people have learned about this theme: R. Shodiyev, A. Alimov, A. Xoliqulov, V. Abaturov, D. Rusamov, A. Bekmuratov, B. Xodjayev. And other famous scientific people also have learned about Free economic zones and their books, researcher things, tracts have already published and lots of researchers also have investigated this topic in our country.

But, in this qualification work is presenting the site and the role of the free economic zones in Jordan’s economy, have become some problems for creation of these free zones, tasks, characters of the free economic zones.

¹ "Navoiy region: Free industrial – economic zone" ("Халқ Сўзи", 03.06.2009")

² “Барча режа ва дастурларимиз ватанимиз тараққиётини юксалтириш, халқимиз фаровонлигини оширишга хизмат қилади”. Президент Ислам Каримовнинг 2011 йил 21 январдаги “2010 йилнинг асосий якунлари ва 2011 йилда Ўзбекистонни ижтимоий-иқтисодий ривожлантиришнинг энг муҳим устувор йўналишлари”га бағишланган Вазирлар Маҳкамасининг мажлисидаги маърузаси/ Халқ сўзи. 2011 йил 22 январь.

The purpose of qualification work. Analyzing the site and the role of the free economic zones in Jordan's national economy.

The tasks of qualification work theme. According to the aim of qualification work, these are the tasks which should be done for qualification work:

- Illuminate theoretical-scientific peculiarities of the free economical zone formation and development;
- Analyze the essence of the free economic zones and their significance in the national economic development;
- Define classification of the free economic zones and their activity trends;
- Analyze the characteristics of the free economic zone development in Jordan;
- Illuminate formation steps of the free economic zones in Jordan.

Object of qualification work is the free economic zones and their activities in Jordan's national economy.

Subject of qualification work is forming the reforms and programs from the government for the creation of free economic zones in Jordan.

Scientific new-found of qualification work is reflected by these meanings:

- The problems are grouped which influence for the free economic zones in Jordan's economy and its export development
- Using the experience free economic zones of Jordan in Uzbekistan and given the suggestions and offers for Uzbekistan.

Used information base of qualification work. According to analyze and illuminate this theme, I used the law which was accepted from government "The law about the creation of free economic zones in Jordan", "Creation of free economic zones in Uzbekistan (Navoi)" several laws, writings the President I. A. Karimov of the Republic of Uzbekistan, published economic books in our country

and foreign countries, the analyzing researches of our republic scientists and their investigations, information were reflected.

Therefore, foreign economic communities, commerce and investments departments, economic department of the Republic of Uzbekistan, Government statistic committee, International Currency Fond (2010-2011) “Annual statistics”, information of government institutions in Jordan, different bases, internet sites beneficial used in this theme.

Practical significance of qualification work. Production of the bachelor degree’s scientific ideas, scientific-theoretical suggestions can be used in Jordan’s economy in the future. Investigation materials can be used for the different institutes, universities, therefore, “the economy of Arab countries”, “Asia in the World economy”, “Free economic zones” courses. They can use these materials for the preparing lectures.

The structure and the size of qualification work. Bachelor work includes introduction, 2 chapters, conclusion, the list of the lecture used.

In introduction reflects neediness, degree of qualification work learning, the purpose, the task, scientific new-found, object, subject, practical significance, the structure and the size of qualification work.

Chapter I of qualification work is named “Theoretical-scientific peculiarities of the free economical zone formation and development”. In this chapter illuminated the essence of the free economic zones and their significance in the national economic development and classification of the free economic zones and their activity trends.

Chapter II of the work is named “The characteristics of the free economic zone development in Jordan”. In this chapter analyzed formation steps of the free economic zones in Jordan and the influence of the free economic zones in Jordan’s export growth, the opportunities of exchanging Jordan’s free economic zone experiences with Uzbekistan.

In Conclusion, the main results were generalized of qualification work. According to analyzes, suggestions and ideas, offers were made and given peculiarly.

Chapter I. Theoretical-scientific peculiarities of the free economical zone formation and development

1.1 The essence of the free economic zones and their significance in the national economic development.

Today is era of globalization and integration of world economy. Countries all over the world are interconnected. Today is the right time for developing countries to gain potential and economic power, and on the other hand, there are plenty opportunities for developed countries to invest and make profit.

Many developing countries are going through the process of fundamental changes and integration into the world economy. The governments of developing countries should be very careful and forward-looking. There are many ways to stimulate domestic economy and provide economic growth. Special economic zones can serve as an effective instrument of strengthen the national economy through possibilities of external activity.

However, the creation and functioning of special economic zones can bring as positive as negative impacts. World practice shows that not all special economic zones brought successful results. Formation of a special economic zone should be deeply analyze and studied.

For the last several decades the free or special economic zones were widely developed throughout the world as an instrument for expansion of external policy, attracting foreign investments and developing of internal economy. By this moment, many countries have practiced the implementing of the instrument of free economic zones. In the experts' estimation, in a total of 120 countries there are over three thousand different special economic zones with an annual turnover of 600 billion dollars. This instrument is used according to economic conditions, needs and purposes of the home country. Though there are many types and definitions of free economic zones.

“In the common sense, free economic zones are defined as designated areas of a state with special economic, legal, administrative, tax regime assisting to expansion of external economic ties, attraction of foreign and domestic investments, development of new technologies, and creation of modern productions. Meng Guangwen in his work on free economic zones gives the following definition: “in order to realize certain economic and political objectives, free economic is geographically defined in an area or zone inside a country or in a cross-border area between several countries where certain economic activities are especially allowed and where free trade and other preferential policies and privileges different from those in the rest of the country are granted.”³

According to the Law of the Republic of Uzbekistan “About Free economic zones.” “Special economic zones are generally formed with the objective of development and support of industries, accelerating regional development and solving social problems, improving business efficiency, attracting investment, technology and modern management, creating highly efficient and competitive industries.”⁴

According to the information of the http://en.wikipedia.org/wiki/Free_economic_zone site, here are the free economical zones from each country in the world:

<p><u>Argentina</u></p> <ul style="list-style-type: none"> • <u>General Pico Free Zone</u> <p><u>Armenia</u></p> <ul style="list-style-type: none"> • <u>Gyumri</u> 	<p><u>Iraq</u></p> <ul style="list-style-type: none"> • <u>Sulaymaniyah Free Zone</u> <p><u>Italy</u></p> <ul style="list-style-type: none"> • <u>Catania</u> • <u>Erice</u>
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³ Gunagwen, M. (2003), The Theory and Practice of Free Economic Zones: a Case Study of Tianjin, People's Republic of China (p.18). University of Heidelberg, Heidelberg.

⁴ Navoiy-free economic industrial zone ("Xalq So'zi", 03.06.2009 y.)

<p><u>Belarus</u></p> <ul style="list-style-type: none"> • <u>Brest FEZ</u> <p><u>Brazil</u></p> <ul style="list-style-type: none"> • <u>Free Economic Zone of Manaus, Manaus</u> <p><u>Bulgaria</u></p> <ul style="list-style-type: none"> • <u>Burgas</u> • <u>Rousse</u> • <u>Plovdiv</u> • <u>Dragoman</u> • <u>Vidin</u> • <u>Svilengrad</u> <p><u>Chile</u></p> <ul style="list-style-type: none"> • <u>Iquique</u> <p><u>China</u></p> <ul style="list-style-type: none"> • <u>Hong Kong</u> <p><u>Egypt</u></p> <ul style="list-style-type: none"> • <u>Port Said Public Free Zone</u> • <u>Alexandria Public Free Zone</u> • <u>Nasr City Public Free Zone</u> • <u>Suez Public Free Zone</u> • <u>Ismailia Public Free Zone</u> • <u>Damietta Public Free Zone</u> • <u>Media Public Free Zone</u> • <u>Shebin El- Kom Public Free Zone</u> • <u>Qeft Public Free Zone</u> • <u>Port Said East Port Public Free Zone</u> <p><u>Georgia</u></p> <ul style="list-style-type: none"> • <u>Poti, Samegrelo region</u> <p><u>India</u></p> <ul style="list-style-type: none"> • <u>Sricity Multi Product SEZ, Andhra Pradesh</u> 	<ul style="list-style-type: none"> • <u>Gela</u> • <u>Crotone</u> • <u>Rossano</u> • <u>Lamezia Terme</u> • <u>Matera</u> • <u>Taranto</u> • <u>Lecce</u> • <u>Andria</u> • <u>Naples</u> • <u>Torre Annunziata</u> • <u>Mondragone</u> • <u>Campobasso</u> • <u>Cagliari</u> • <u>Quartu Sant'Elena</u> • <u>Iglesias</u> • <u>Velletri</u> • <u>Sora</u> • <u>Pescara</u> • <u>Massa Carrara</u> • <u>Ventimiglia</u> <p><u>Lithuania</u></p> <ul style="list-style-type: none"> • <u>Klaipeda Free Economic Zone</u> <p><u>Malaysia</u></p> <ul style="list-style-type: none"> • <u>Port Klang Free Zone</u> <p><u>Moldova</u></p> <ul style="list-style-type: none"> • <u>Entrepreneurship Free Zone Expo-Business-Chişinău</u> • <u>Entrepreneurship Free Zone "Tvardița"</u> • <u>Entrepreneurship Free Zone "Taraclia"</u> • <u>Entrepreneurship Free Zone "Valkaneș"</u> • <u>Entrepreneurship Free Zone "Otaci-Business"</u> • <u>FEZ "Bălți"</u> • <u>FEZ "Ungheni-Business"</u> • <u>FEZ Aeroportul Liber Internațional Mărculești</u> • <u>FEZ International Free Port Giurgiulești</u> <p><u>Russia</u></p>
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- [SEEPZ, India](#)
- MARG Swarnabhoomi SEZs for Engineering and Multi Services, Tamil Nadu
- Inspira Pharma & Renewable Energy Park, [Aurangabad](#), Maharashtra

Iran

- [Kish](#)
- [Aras Free Zone](#)
- [Anzali Free Zone](#)
- [Arvand Free Zone](#)
- [Chabahar Free Zone](#)
- [Gheshm Free Zone](#)

United Arab Emirates

- [Ajman Free Zone](#)
- [Dubai Academic City](#)
- [Dubai Internet City](#)
- [Dubai Media City](#)
- [Dubai Knowledge Village](#)
- [Dubai Healthcare City](#)
- [Dubai International Financial Center](#)
- [DuBiotech](#)
- [Dubai Outsource Zone](#)
- [Dubai Studio City](#)
- [International Media and Production Zone](#)
- [Jebel Ali Free Zone](#)

Uzbekistan

- [Navoiy](#)

United Kingdom

- [London Docklands](#)
- [Bristol Suburbs](#)

- [Nakhodka](#)
- [Ingushetia](#)
- [Yantar, Kaliningrad](#)

Serbia

- [Free Zone Pirot](#) Slobodna zona Pirot

South Korea

- [Korea Free Economic Zone](#)
- [Busan](#)
- [Daegu-Gyeongbuk Free Economic Zone](#)
- [Gwangyang](#)
- [Incheon](#)
- [Yellow Sea](#)

Spain

- [Ibiza](#)

Tajikistan

- [Sughd Free Economic Zone](#)
- [Panj Free Economic Zone](#)

Turkey

- See [List of free zones of Turkey](#)

Ukraine

- Quarantine Pier of [Odessa](#) trade sea port, January 1, 2000, for 25 years

Yemen

- [Aden](#) Free Zone

Bangladesh

- [Bangladesh](#) BEPZA (Bangladesh Export Processing Zone Area)

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Free zones have existed for centuries. They were originally established to encourage entre pot trade, and mostly took the form of citywide zones located on international trade routes. Examples include Gibraltar (1704), Singapore (1819), Hong Kong (China; 1848), Hamburg (1888), and Copenha-gen (1891). This paper focuses on modern *special economic zones*, a generic term that encompasses the recent variants of the traditional commercial zones. The principles incorporated in the basic concept of a special economic zone include: n Geographically delimited area, usually physically secured (fenced-in) n Single management/administration n Eligibility for benefits based upon physical location within the zone n Separate customs area (duty-free benefits) and streamlined procedures. The core definition of a free zone, as well as proposed guidelines and standards for them, are contained in the Revised Kyoto Convention of the World Cus-toms Organization (WCO). Specifically, Annex D and the accompanying guidelines provide standards and recommendations on the treatment of imports to and exports from free zones including territorial limits (free zones are defined as “outside the customs territory” for purposes of the assessment of import duties and taxes); minimal documentation requirements; and issues to be covered by national legislation. Free zones typically allow for duty- and tax-free imports of raw and intermediate materials and, in many cases, capital equipment. This generic special economic zone concept has evolved over time, resulting in a large variety of zones.

Many countries have, or have had at some time, designated areas where companies are taxed very lightly or not at all to encourage development or for some other reason. These are known as free economic zones or Free Zone or SEZ. Sometimes they are called free ports, by an analogy with free ports known for a long time in history - the ports free of customs or with favorable customs regulations, e.g., the free port of Trieste. Very often free ports are parts of free economic zones.

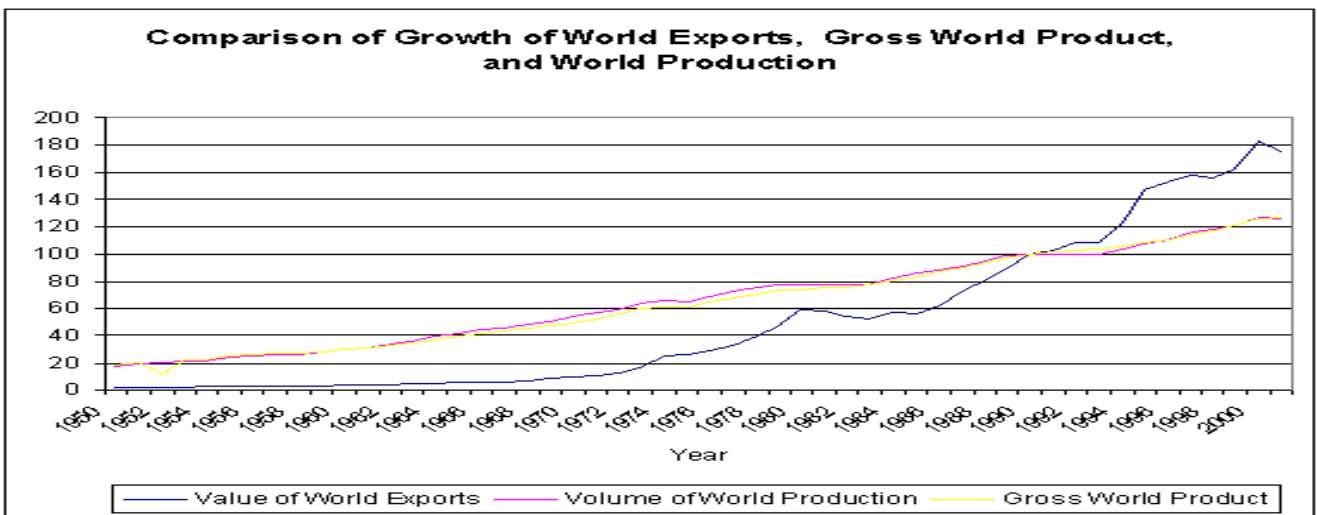
Free economical Zones offer the necessary facilities, services and infrastructure such as electricity, water modern telecommunication networks, in addition to modern networks of internal roads and yards and storage facilities. There are branches of banks, insurance and clearance companies inside the free zones. Companies can be registered inside the free zones instead of the Ministry of Industry and Trade. In addition, certificates of origin (Free Zones) are issued for industrial products produced inside the free zones with a local input of less than 40%.⁵

⁵ http://en.wikipedia.org/wiki/Free_economic_zone

For the last several decades all countries in the world got engaged in a process of regional integration and globalization. Globalization is a process of strengthening the linkages and interdependencies, covering the economy and other spheres of life in the world scale.⁶ Globalization touches all spheres of human life. It influences on politics, culture, laws and especially on economies of countries. XXI century is the time of prosperity of high-tech and information technologies which interconnect people all around the world. Products, resources, finances, ideas freely flow between countries and nations. Governments of all countries perceive the great importance of the development of international relations and foreign policy. Foreign trade relations play one of the major roles in the economic development and sustaining of steady economic growth. According to the World Trade organization the importance of international trade has increased significantly over the last 60 years.

⁶ Sidorovich, A.V. (2007). The course of economic theory: the general basis of economic theory. Microeconomics. Macroeconomics. Basis of the national economy: a manual for students; M. V. Lomonosov Moscow State University. (p. 940). Moscow, Business and service.

Table 1. Comparison of Growth of World Export, Gross World Product, and World Production



Source: World Trade Organization (Graph by Tom Hale, July 2003)

The trends of globalization expand the degree of openness of internal markets and domestic economies to the world. This process increases the demand for the competitiveness of domestic producers. Countries around the world are getting involved in a process of accession to the system of international economic relations. This is a very important procedure for developing countries. In the context of globalization one of the prior tasks of developing states is constructing of a model of an open economy and conducting the correct foreign policy.⁷ On the example of the Republic of Uzbekistan let's examine and analyze the problem of the formation of an open economy and conducting true foreign policy, and the possibility of introducing an effective development tool - special economic zones. Until 1991, Uzbekistan was a part of the Union of Soviet Socialist Republics (USSR). The economy of the USSR and other socialist countries represented a relatively closed system, which was largely independent from the rest of the world economy. There existed a system of prices which was significantly different from the world, the ruble was not freely convertible and the companies had not been directly linked to the world market and had no experience on it. The right to access external markets had a narrow range of specialized foreign trade organizations. Thus, the changes of the world market conditions did not directly affect the activities of manufacturing enterprises. After Uzbekistan gained independence the radical changes in all areas of the country occurred. In the economy of Uzbekistan, like in other former USSR countries, a policy of liberalization and development of market relations was introduced and started implementing. New tendencies brought essential changes to the system of external economic relations. Still relatively closed system began to transform to an open economy. National

⁷World Trade Organization site

economy gradually started integrating into the global economic system. This fundamentally changed the conditions of interaction between the domestic and world economy.

Now trends in world commodity and financial markets, political changes in the international arena have a great influence on domestic conditions. The open economy resulted in the competition between national production and foreign competitors in internal and external markets.

Formation of an open economy and integration into the world economic relations has both positive and negative sides. The openness of the national economy in free economic zones has several advantages. They are:

- Strengthening the role of external economic relations as a factor of economic growth and structural transformation;
- Expansion of participation of countries in the global division of labor;
- Bringing the level of production, technical equipment, cost and quality of products closer to world standards;
- Improving the competitiveness of national economy;
- Expansion and consolidation of forms of cooperation: the interweaving of capital, scientific and technical cooperation, production integration;
- The formation of market infrastructure.

However, the relatively abrupt transition to an open economy led to some negative results. After the collapse of the Soviet Union the country was experiencing social and economic crisis and recession in production. The industrial infrastructure of Uzbekistan economy was lagged behind the developed world leading industrial and technical systems, there was a severe shortage of highly effective export-oriented industries, especially hi-tech manufacturing, the cost of manufactured goods was high. Domestic production was unable to withstand competition from foreign products. This has resulted in raw material and fuel export orientation and technological dependence on developed countries.

Following the word experience, we can conclude that the basic problem of formation of an open economy is the simultaneous liberalization of domestic and international economy while protecting the interests of national economy. In the former Soviet Union pace of external liberalization was much faster than internal reforms. The consequences of this process were inflating of the domestic market with foreign goods, mitigation of economic disproportions, but the domestic market became too open to the outside. Liberalization of export and import, export of capital from the country did not encourage investment, job creation and development of domestic production.

The most important strategic objectives of foreign economic policy and trend activity of each country especially in the free economic zones, as most developing countries, in modern conditions are:

- ✓ A serious restructuring promoting the successful implementation of foreign economic policy that meets the latest international standards and trends
- ✓ Enhancing the role of the state in foreign economic activities to protect national rights and interests
- ✓ Achieving a favorable trade policy regime in relations with foreign countries and economic groupings, the removal of discriminatory restrictions
- ✓ Initially, the stabilization of raw material exports as the main source of currency reception for the modernization of the economy, solving urgent social problems
- ✓ Attracting additional investments to the country for the restructuring and development of export opportunities
- ✓ Ensuring access of domestic enterprises to global machinery and equipment, technology and information, capital markets and mineral resources
- ✓ Providing moderate protection against the newly created import-substituting industries, particularly in prior industries
- ✓ The long-term regulation of the monetary and financial issues with the creditors⁸

As international experience shows, the basis for effective foreign economic trend activity in the movement towards an open economy is the development of high technology export capabilities and full support of the national exporters. The positions of the countries in the world economy depend on their competitiveness. One of the most important tasks of the state is to create an enabling environment for competitive production at the firm level. The favorable actions for achieving this goal are the increase in aggregate demand, investments and innovation activities, development of scientific and technological capacity, increase in funding for basic and applied science, research and development, and education.

At present, the important role in strengthening the national economy through possibilities of external activity is played by free or special economic zones.

1.2 Classification of the free economic zones and their activity trends.

The terminology applied to FEZs, in literature and common usage, is highly confusing. Words like “free zones”, “free trade areas”, “customs-free zones”,

⁸ Sidorovich, A.V. (2007). The course of economic theory: the general basis of economic theory. Microeconomics. Macroeconomics. Basis of the national economy: a manual for students; M. V. Lomonosov Moscow State University. (p. 940). Moscow, Business and service.

“special economic zones”, “export processing zones”, etc. are in practice used almost interchangeably. This reflects the implementing authorities’ linguistic preferences as much as functional differences between different kinds of zones. However, some main differences can be identified. Again, for the purpose of this paper, the term “free economic zones” has been chosen as the term applying to all such establishments. Common to all FEZs is the fact that they are ring-fenced enclaves exempt from national import and export duties and/or formally operating outside the customs area of their host country. Conversely, ring-fenced areas offering tax concessions other than customs exemptions (e.g. the “industrial parks” that have proliferated in many MENA countries) are not included, on the grounds that they are functionally indistinguishable from investment incentives applied locally. Finally, special economic zones (SEZ) evolved, which offered not only customs exemptions but also an entirely separate regulatory environment from the rest of the host economy. In the remainder of this paper, the following three categories of FEZs are identified:

- **Free zones.** This category covers the ground from free ports to export processing zones – FEZs that are generally accessible to investors, but do not go as far as offering a tailored regulatory environment.
- **Special economic zones.** SEZs are basically ring-fenced customs-free areas with a regulatory environment of their own. They are mostly backed by a piece of legislation establishing a governing council for each individual SEZ and mandating it to enact rules that shall apply to investors within the zone.
- **Industry zones.** These are basically free zones, but targeted at specific sectors or economic activities. Industry zones (IZ) may restrict the access of companies in non-priority sectors, and their infrastructure is mostly tailored according to their sectoral targets. Finally, it should be noted that the distinction between the different kinds of zones must involve an element of judgment. For instance, most free zones restrict the access of certain categories of investors, without for that reason being classified as industry zones. Also, it is not a priori clear how “special” a free zone’s regulatory environment must be before it can be classified as an SEZ.⁹ There are different types of free economic zones. Experts and scientists argue about classification and typology of free economic zones. Some assert that there are about 30 different types of free economic zones, some suppose that this number is about 15.

The first “modern zone” was established in Ireland in 1959. Since then, a variety of different zone setups have evolved that are subsumed under the SEZ concept in this chart, namely:

⁹ This implies that the concept of FEZs in the present paper is somewhat narrower than the commonly quoted definition by Grubel (1984): “a geographically defined area within which certain types of economic activity take place without some of the government taxation and regulation that applies to them in the rest of the economy”.

Free trade zones	(FTZs; also known as commercial free zones) are fenced-in, duty-free areas, offering warehousing, storage, and distribution facilities for trade, transshipment, and re-export operations.
Export processing zones	are industrial estates aimed primarily at foreign markets. Hybrid EPZs are typically sub-divided into a general zone open to all industries and a separate EPZ area reserved for export-oriented, EPZ-registered enterprises.
Enterprise zones	are intended to revitalize distressed urban or rural areas through the provision of tax incentives and financial grants.
Free ports	typically encompass much larger areas. They accommodate all types of activities, including tourism and retail sales, permit on-site residence, and provide a broader set of incentives and benefits.
Single factory EPZ	schemes provide incentives to individual enterprises regardless of location; factories do not have to locate within a designated zone to receive incentives and privileges.*
Specialized zones	include science/technology parks, petrochemical zones, logistics parks, airport-based zones, and so on.

*Single factory EPZ programs are similar to bonded manufacturing warehouse schemes, although they typically offer a broader set of benefits and more flexible controls.

All types of free economic zones can be grouped by various criteria. Generally, there 5 main criteria or attributes for classification of free economic zones:

- a) Size of the area (wide area, small area)
- b) Form of organization (territorial or regime type)
- c) Functional purpose and nature of activities
- d) Degree of integration into the world and domestic economy
- e) Nature of property (state, private, international zones)

Following the history and development of free economic zones we can consider 6 main types of them:

-Trade-based free economic zones. This type of free economic zones has the longest history. The first zones of this type emerged in XIV-XV century. Today they are usually situated on the boundary territories, ports and airports. Firstly, they had mainly commercial objectives, but with the historical and economic development they obtain macroeconomic goals, such as integration into the global economic relations, implementing the open policy and practicing of structural reforms. “Besides free financial policy (free exchange and operation of foreign currency), free flow of capital and funds, free investment (less-restricted investment in industrial sector) and relatively free flow of personnel between the zone and the foreign countries, trade-based free trade zones enjoy the most freedoms of good import and export.”¹⁰ An example of a kind of trade-based free economic zones can be well known net of shops “Duty free” which is widely spread in many international airports.

¹⁰ Gunagwen, M. (2003), The Theory and Practice of Free Economic Zones: a Case Study of Tianjin, People's Republic of China (p.32). University of Heidelberg, Heidelberg.

-Manufacture-based free economic zones. This type of free economic zones is characterized for less developed countries. It is an instrument for realization of macro and micro economic objectives. The creation of manufacture-based free economic zones is based on several main factors which are favorable location, developed infrastructure and low labor cost. There are several varieties of manufacture-based free economic zones. The two main subtypes are import and export oriented free economic zones. The export-oriented free economic zones are designed to increase export potential of the country, attract additional investments, and stimulate currency reception which is used for modernization of the economy and solving urgent social problems. The second subtype, import-oriented free economic zones, serve to improve internal condition, for instance to saturate the domestic market with foreign goods, mitigate distortions of regional economic structure.

-Service-based free economic zones. Service-based free economic zone means that, in order to maintain the historic competitive edge or to promote the development of remote regions, and, furthermore, achieve economic benefits, the area with convenient communications in a regional economic centre or in a remote region is selected, where special economic, administrative policy, and deregulation is applied, which is not granted elsewhere in the country, and where special economic activities such as finance, insurance, tourism, and other specific services are in operation.¹¹

-Science-based free economic zones. Science-based free economic zones are modern, well developed type of free economic zones. On the territory of science-based free economic zones financial and tax preferences are operating and scientific-research centers and high tech industries are concentrated. Scientific and technical progress plays the biggest role in intensive economic growth. It provides constant improvement of resources quality and productivity. In modern conditions, the competitiveness of a state economy defines by the development of high technology export capabilities.

High tech industries include information technologies, biotechnologies, robotics, telecommunication, aerospace engineering and many others. The purpose of creation of science-based free economic zones is rapid economic, scientific, technological development, intensive economic growth. For formation and well-functioning of this kind of free economic zones the following conditions should be maintained: well-developed infrastructure, convenient communication capabilities, density of scientific research centers, high-qualified personnel, high-concentration of capital. The subtypes of science-based free economic zones are science-based parks, industrial parks, techno-policies and others.

¹¹ Gunagwen, M. (2003), *The Theory and Practice of Free Economic Zones: a Case Study of Tianjin, People's Republic of China* (p.32). University of Heidelberg, Heidelberg.

-Comprehensive free economic zones. Comprehensive free economic zones are zones of new generation. This kind of zones doesn't have a narrow specialization and includes features of all above mentioned types of free economic zones. The organizational structure of the zone is complicated. It's territory is usually wide and may occupy the territory of an area and sometimes even a region. The zone is a geographically defined larger area, which enjoys comprehensive preferential policy and privilege, possesses the multifunction and comprehensive objectives, complete industrial sectors, and the spatial structure of the multi-zones.¹²

-International free economic zones. These zones started to emerge recently as one of the tendencies of integration. The zones are created in the border areas of two or more countries with the participation of both private firms and the States.

The purposes of creation of free or special economic zone in different countries can be various. For example, some countries use special economic zones as an integration tool, others for attraction of foreign technologies and investment for development of a particular region or the economy as a whole. However, we can define three main directions of purposes. They are:

-Economical, such as deeper integration into the world economy, attraction of foreign and domestic investment for development of high competitive production, using benefits of world division of labor for expanding of export-oriented production, magnification of currency entering into a state budget;

-Social, such as complex development of backward regions, reduction of distinctions between them and the contribution to strengthening of uniform economic space; increase in workplace, training and preparation of the high qualified national workers;

-Scientific and technical, for example enlargement of high technology production, development and use of the newest foreign and domestic technologies, implication of new forms of the management organization and production.

As world practice shows, creation and functioning of special economic zones brings not only positive results. Creation of a special economic zone should be deeply analyzed and evaluated. Several fundamental principles should be followed for creation of a profitable and successful SEZ:

- Favorable geographical position connected with main transport ways

¹² Guo Xingchang (chief edited). (1987). An Introduction to World Free Port and Free Trade Zone (p. 72). Publishing House of Beijing Aeronautical Engineering Institute.

- Presence of infrastructure; it includes presence of power resources, gas lines, plumbing, sewerage system, paving roads, easy accessible service institutions.
- Presence of cheap and simultaneously qualified human resources
- High level of provision of financial resources
- Developed and stable legal bases
- Formation of special administration bodies
- Favorable investment climate which consists of political stability, guarantee of investment security and other assets, transparent and stable legislative framework, low level of crime

Creation of a special economic zone is innovative project with high level of risk. Process of creation and functioning of a special economic zone should be well thought, analyzed, jointly regulated by government and investors. In case of success it will bring positive impact not just on a concrete territory, but on the state economy as a whole.

Special Economic Zone Facilities and Services¹³

- Childcare facilities
- Medical clinics
- Conference centers
- Product exhibition areas
- Commercial centers
- Training facilities
- Shelter plans
- Repair and maintenance centers
- Common bonded warehouse facilities
- Incubator facilities
- on- site banking facilities
- on-site housing
- on-site customs clearance and trade logistics facilities
- High-speed telecommunications and Internet services, networked buildings

¹³ www.fias.net

CHAPTER II. THE CHARACTERISTICS OF THE FREE ECONOMIC ZONE DEVELOPMENT IN JORDAN.

2.1 Formation steps of the free economic zones in Jordan

Special economic zones can be interpreted as a tool for selective reduction of state intervention in economic processes. On the territory of the zone there is a wide range of institutional changes. These changes are associated with the preferred regime which should serve as a tool to implement the existing comparative advantages of a particular national space, rather than a mechanism of compensation of the lack of factors of development on the defined territory.

Characteristic features of the SEZ are:

- Application of different types of preferences and incentives, including the reduction or elimination of export and import duties, simplified procedure for conducting foreign trade operations; tax reductions, provision of subsidies offered by budgetary funds and preferential government loans or in the form of low prices of public utilities, lower rents for land use, etc.; simplifying procedures for business registration and arrival and departure of foreigners.
- The presence of local, relatively isolated management system with the power to make decisions in a broad economic spectrum
- Full support from the central government.

As a result of various incentives in SEZ rate of return is 30-35% and sometimes even more.¹⁴

Jordan has consistently followed a pro-Western foreign policy and traditionally has had close relations with the United States. These relations were damaged by support in Jordan for Iraq during the first Gulf war (1990-91).

¹⁴ Solovieva, Z. (2007). Special economic zones as a tool for attracting foreign direct investment, International economy, #3

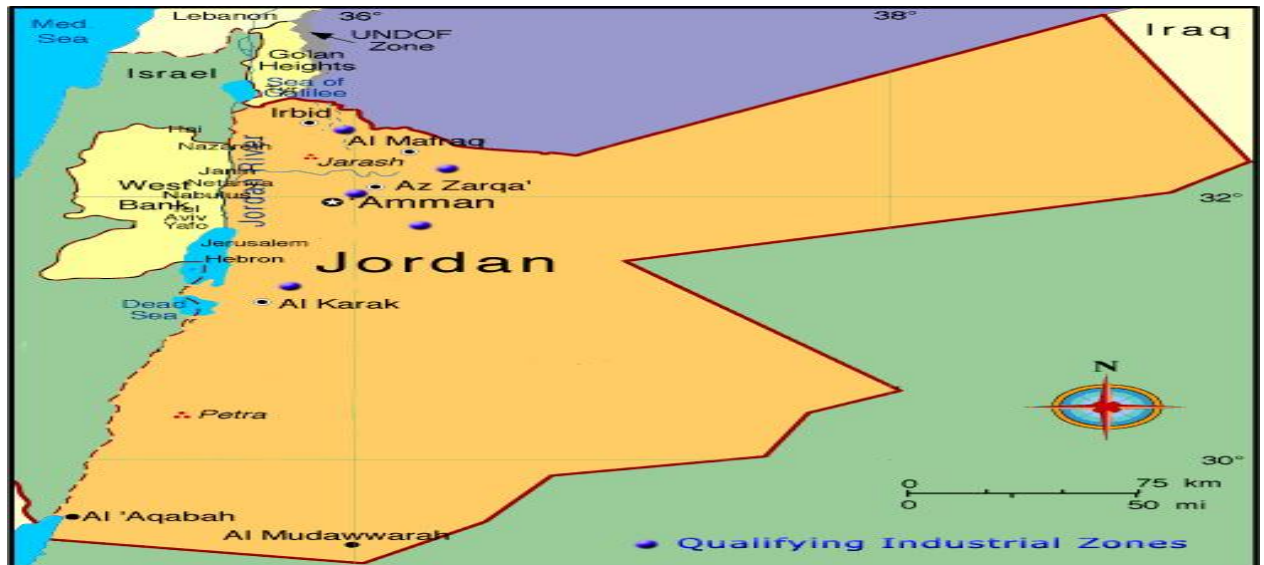
Although the Government of Jordan stated its opposition to the Iraqi occupation of Kuwait, popular support for Iraq was driven by Jordan's Palestinian community, which favored Saddam as a champion against Western supporters of Israel.

Following the first Gulf war, Jordan largely restored its relations with Western countries through its participation in the Middle East peace process and enforcement of UN sanctions against Iraq. Relations between Jordan and the Gulf countries improved substantially after King Hussein's death. Since the 2003 fall of the Iraqi regime, Jordan has played a pivotal role in supporting the restoration of stability and security to Iraq. The Government of Jordan has facilitated the training of over 50,000 Iraqi police cadets and corrections officers at a Jordanian facility near Amman. Jordan also plays host to a significant Iraqi population and has worked closely with donor agencies and the international community to address their humanitarian needs. In 2008, Jordan appointed and sent an ambassador to Iraq in an effort to strengthen bilateral ties.

Jordan belongs to the UN and several of its specialized and related agencies, including the World Trade Organization (WTO), the International Meteorological Organization (IMO), Food and Agriculture Organization (FAO), International Atomic Energy Agency (IAEA), International Civil Aviation Organization (ICAO), and World Health Organization (WHO). Jordan also is a member of the World Bank, International Monetary Fund (IMF), Organization of the Islamic Conference (OIC), Nonaligned Movement, and Arab League.

Since the outbreak of the second Intifada in September 2000, Jordan has worked to maintain lines of communication between the Israelis and the Palestinians to counsel moderation and to return the parties to negotiations of outstanding permanent status issues. These efforts bore fruit with the resumption of Israeli-Palestinian peace negotiations at the November 2007 Annapolis conference. Jordan has played an important role in facilitating the peace process through the

training of several thousand Palestinian security force personnel. This map and the information were taken from internet “<http://www.osac.gov>” site.



Rapid privatization of previously state-controlled industries and liberalization of the economy is spurring unprecedented growth in Jordan's urban centers like Amman and especially Aqaba. Jordan has six special economic zones that attract significant amount of investment amounting in the billions: Aqaba, Ma'raq, Ma'an, Ajloun, the Dead Sea, and Irbid. Jordan also has a plethora of industrial zones producing goods in the textile, aerospace, defense, ICT, pharmaceutical, and cosmetic sectors. Jordan is pinning its hopes on tourism, future uranium and oil shale exports, trade, and ICT for future economic growth.

**Table 3. Main characteristics of FEZs
in MENA countries**

Oman	None	
Qatar	None			
Saudi Arabia	None			
Syria	7 FZs	339	ND	
Tunisia	2 FZs	83	ND	
United Arab Emirates	9 FZs; 7 IZs	FZs: 12,950; IZs: 1,235 ^(a)	3,978 ^(a)	Several of the industry zones occupy space inside the larger free zone areas.
Yemen	1 FZ	28	29	
Total MENA	2 SEZs; 38 FZs; 8 IZs	63,996		

	Number and type of zones	Total area (hectares)	Number of enterprises	Observations
Algeria	1 FZ	523	ND	
Bahrain	2 FZs	ND	ND	
Egypt	1 SEZ; 6 FZs; 1IZ	SEZ: 9,000; FZs: 1,149	ND	
Jordan	1 SEZ; 6 FZs	SEZ: 37,500; FZs: 757	1,722^(a)	The SEZ covers the urban area of Aqaba
Kuwait	1 FZ	60	ND	
Lebanon	2 FZs	27	ND	
Morocco	1 FZ	345	ND	

For country details, see Annex 1.

a. Including only those zones for which data is available.

Table 4. Incentives offered in FEZs in Jordan

	Type of incentives:				Observations
		Regulatory	Fiscal	Financial	
Jordan	Free zones	Provision of certificates of origin for industrial products with a local input of less than 40%.	Personal income tax holiday of 12 years for non-Jordanian employees. Exemption from taxation of corporate profits earned on manufacturing goods for export, transit trade or trade within the zones.		

			Exemption of real estate from licensing fees and taxes.		
	Aqaba SEZ	Foreigners may own land for some purposes, or lease it for up to 50 years. Staff nationality requirements are relaxed: up to 70% foreign labour may be employed.	A low 5% corporate income tax rate on most activities other than finance. Exemption from Social services taxes. 10% land transfer tax.	Foreign firms have access to Reimbursement for training expenses.	

Zones and their main characteristics

As per early 2005, Jordan has one special economic zone and six public free zones. The SEZ was established in 2001 by greatly enlarging the old (established in 1973) Aqaba Free Port to encompass the surrounding urban area, and transferring economic regulatory responsibility for the Zone to the newly established Aqaba Special Economic Zone Authority (ASEZA).¹⁵ The free zones are administered by the Jordanian Free Zones Corporation and are subject to broadly similar regulatory conditions. The oldest, and economically most important, is the Zarqa Free Zone 35 km northeast of the capital Amman. Common to all economic zones in Jordan is a broad sectoral scope. Zones are generally open to companies involved in industrial production, trade, tourism and other services. In addition to the public free zones, private free zones, often tailor-made to one specific company, can be established subject to the approval of the Council of Ministers. At the end of 2003 there were 15 such private zones in Jordan.¹⁶ One interesting recent development relates to the development of the so-called Qualified Industrial Zones (QIZ), which essentially extend the benefits of the US-Israel Free Trade Agreement Implementation Act of 1985 to include exports from geographically circumscribed areas in Jordan. The QIZ rules stipulate that a minimum of 35% of the exported goods' value must represent local content.¹⁷

There are currently QIZs in Jordan, three of which are publicly owned. Export originating in the QIZs amounted to US\$ 590 million in 2003 (largely textiles and garments), and an estimated 26,500 persons were employed in these zones.

Table 5. FEZs in Jordan

¹⁵ Main sources: www.free-zones.gov.jo and www.aqabazone.com. Outside the zones authorities have at their discretion the granting of partial corporate income tax exemptions for a period up to ten years, selected economic activities (notably in manufacturing) enjoy preferential tax treatment, and the import of capital and input goods is generally exempted from duties.

¹⁶ Free Zones Corporation (2003)

¹⁷ Kardoosh and al Khouri (2004).

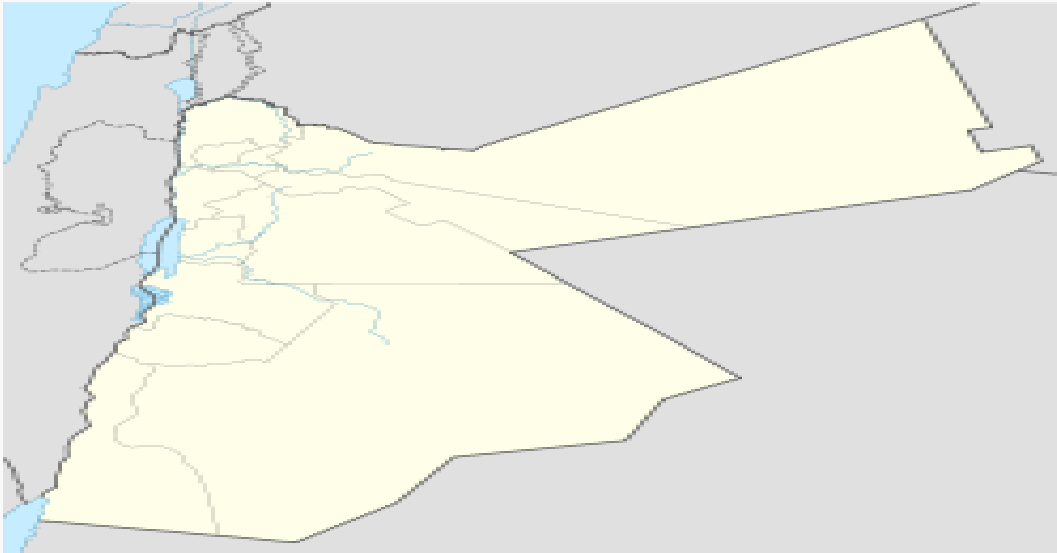
Name	Type	Established	Size (ha.)	Number of companies	Total employment	Cumulative investment (mil. USD)
				End-2003, unless otherwise stated		
Aqaba	SEZ	2001	37500	310 ^b	>18,000	423 ^b
Zarqa	Free Zone	1983	520	1,360	ND	696
Sahab	Free Zone	1997	7	41	ND	35
Queen Alia International Airport	Free Zone	1998	3.5	11	ND	10
Al-Karak	Free Zone	2001	15	ND	ND	ND
Al-Karama	Free Zone	2004	200
Al-Muwaqar	Free Zone	2004	12

Notes:

a. Sources: Free Zones Corporation, Annual Report 2003; unpublished material from FIAS.

b. Change between the establishment of the SEZ in 2001 and mid-2004. Source: Harahsheh (2004).

The Aqaba Special Economic Zone--- **Aqaba** (Arabic: العقبة, *Al-'Aqabah*) is a coastal town in the far south of Jordan. It is the capital of Aqaba Governorate. Aqaba is strategically important to Jordan as it is the country's only seaport. The city borders Eilat, Israel, and there is a border post where it is possible to cross between the two countries (see Wadi Araba Crossing). Both Aqaba and Eilat are at the head of the Gulf of Aqaba. Aqaba is best known today as a diving and beach resort, but industrial activity remains important to the area, and the town is an exporter of phosphate and some shells. The town is also an important administrative center within the far south of Jordan.¹⁴



Aqaba

Aqaba in Jordan, on the Gulf of Aqaba.

Country

 Jordan

Governorate

Aqaba Governorate

Founded

4000 B.C.

Authority Established

2001

Taken from <http://www.aseza.jo> and <http://www.aqaba.jo>

The Aqaba Special Economic Zone (ASEZ) was launched in 2001 as a duty-free, low tax multi-sectoral development zone encompassing the entire Jordanian coastline (27 km), the seaports of Jordan, an international airport and the historical city of Aqaba. ASEZ is regulated by the Aqaba Special Economic Zone Authority (ASEZA) is charged with managing, regulating, and providing municipal services within ASEZ. The Aqaba Special Economic Zone (ASEZ) is a private sector-driven development initiative that maximizes private sector participation in a duty

free, tax-advantaged, and flexible regulatory operations environment providing a model approach to environmentally sustainable development and governance, a unique tourist destination on the Red Sea with a duty free shopping oasis accompanied with a high quality of life. According to the strategic plan 2001-2020, the zone targets 50% of investments in the tourism industry, 30% in a variety of services, 13% in heavy industry, and finally 7% in light industry.

Incentives offers in ASEZ

- | | |
|---|---|
| -A flat 5% income tax on the net profit Exemption from annual land and building taxes on utilized property. | -No foreign currency restrictions. |
| -Exemption from taxes on distributed dividends and profits. | -Full repatriation of profits and capital. |
| -Duty-free import of goods in commercial quantities from the National Customs Territory and overseas. | -Streamlined labor and immigration procedures |
| -No foreign equity restrictions on investments | 100% foreign ownership |
| | -Up to 70% foreign labor. |
| | -Availability of land for lease or sale. |
| | -Full guarantees on rights and ownership |

Tourism Investments in Aqaba

Aqaba possesses several of the key factors that make it an attractive location for tourism investment, including low land and construction costs, an international airport and a seaport. But Aqaba's unique tourist advantage lies in its cultural, historical and seaside attractions.

The following is a list of possible project concepts:

Three, four and five stars hotels and resorts

Timeshare condominiums

Theme and leisure parks

Golf courses, marinas and cruises

Duty-free shopping malls and Souqs

Retirement villages

Exhibitions and convention centers

Services in Aqaba

The following is a list of possible investment areas.

Location-Based Services

Cargo handling

Aircraft overhaul & conversions

Equipment storage & auctions

Freight forwarding & integrated logistics

Warehousing, cold storage & transshipment

Professional Services

Information Technology: software development, data conversion, remote processing, CAD/GIS digitizing, medical transcription

Call centers & claims processing

Medical centers for long-term recovery & rehabilitation

Conversion & repair of small vessels

Printing and publishing: Arabic translation & offshore English production

Internet Service Providers

Engineering consulting

Infrastructure & Land Development

Real Estate development: industrial parks, technology parks, warehousing parks, business incubators, & residential complexes

Independent power providers

Water desalination

Privatization Opportunities

Municipal services

Selected port & airport operations

Industry of the Aqaba.¹⁸

Aqaba possesses several advantages important to the manufacturing industry, including availability of low-cost land and buildings, skilled and trainable labor, transportation infrastructure, and a stable microeconomics policy framework. Moreover, producers may be interested in exploiting the benefits of the QIZ

¹⁸ www.aqabazone.com

program and the duty-free access to imported input materials, not to mention Jordan's free trade agreements with US, EU and several Arab countries.

The role of Aqaba in previous Jordanian planning and development efforts

Before the 1994 peace treaty with Israel Prior to 1948, Aqaba was simply a small rural settlement that played no role in Jordanian development. After 1948, Jordan's maritime transport passed through Beirut, while tourism and industry developed slowly. In 1966 the government of Jordan engaged international consultants Doxiadis Associates to prepare a development plan for the coastal stretch (4 kms deep) extending from the southern outskirts of Aqaba to the Saudi border, an area of less than 70 sq kms. In 1968, Doxiadis submitted a final report, which however had to be abandoned because it did not take into consideration the effect of the Israeli occupation of the West Bank on Jordan in general and the region of Aqaba in particular.

This meant that Aqaba's development was slow; but with the oil boom of the 1970s, plus the border settlement with Saudi Arabia that extended Jordan's Red Sea shoreline to 27 kms¹², Aqaba acquired a new importance.

Jordan's first free zone was set up in Aqaba in 1973, when a small facility was established at the port to serve transit trade. More modest efforts at regional planning followed, until the creation of the Aqaba Regional Authority (ARA) in 1983. A special census for Aqaba city was carried by the Jordanian department of statistics in 2007, the results of the census compared to the national level are indicated as follows:

Table 6(taken from www.aqabazone.com)

Demographic data of the city of Aqaba (2007) compared to Kingdom of Jordan nationwide				
		Aqaba (2007)	City	Jordan (2004 census)

1	Total population	98,400	5,350,000
2	Growth rate	4.3%	2.3%
3	Male to Female ratio	56.1 to 43.9	51.5 to 48.5
4	Ratio of Jordanians to Foreign Nationals	82.1 to 17.9	93 to 7
5	Number of households	18,425	946,000
6	Persons per household	4.9	5.3

In 2006, the Tourism Division of the Aqaba Special Economic Zone Authority (ASEZA) reported that the number of tourists visiting the Zone in 2006 rose to about 432,000, an increase of 5% over previous year. Approximately 65%, or 293,000 were Jordanians. The Distant Festival held at Aqaba on the last Thursday of July and the following day at Aqaba and Wadi Rum which features the world's most famous trance and electronica dancers. Aqaba has been chosen as the Arab Tourism City of 2011.¹⁹ Aqaba's economy is skyrocketing because of the economic zone. New resorts are being constructed, but most are still on its leveling stage. New projects like Tala Bay and Saraya al Aqaba are well under construction which will provide high-end vacation and residential homes to locals and foreigners alike. Over twenty billion dollars have been invested in Aqaba since 2001 when the Special Economic Zone was established. Along with tourism projects, Aqaba has also attracted global logistic companies such as APM Terminals and Agility to invest in logistics, which boosted the city's status as a transport and logistics hub. Advantages of the Aqaba special economic zone:

-By Land. The city is connected to the rest of Jordan by the Desert Highway and the Dead Sea Highway. Aqaba is connected to Eilat, Israel by the Wadi Araba crossing and to Haql, Saudi Arabia by the Durra Border Crossing. There are many bus services between Aqaba and Amman and the other major cities in Jordan. JETT and Trust International are the most common lines. These buses use the Desert Highway. Taxi services are also available between Aqaba and Eilat. The Aqaba railway system is only used for cargo transportation and no longer functions for travellers, with the exception of the route to Wadi Rum.

¹⁹ "<http://www.aqaba.jo>"

-By Sea. The Arab Bridge Maritime company vessels connect Aqaba to the Egyptian ports of Taba and Nuweiba. More than one million passengers travelled between Aqaba and the ports of Nuweiba and Sharm el-Sheikh by ferrys. An Abu Dhabi consortium of companies called 'Al Maabar' has won the bid to relocate and manage the Aqaba Port for 30 years and expand the existing ferry terminal which receives about 1.3 million passengers and thousands of trucks and cars coming from across the shore in Egypt.

-By Air. King Hussein International Airport connects Aqaba to Amman, Sharm el-Sheikh, Dubai and Alexandria and several destinations in Europe.

-Education. The universities and institutes in Aqaba are mostly scheduled to start their first academic semesters in the years 2011-2012:

1. Red Sea Institute of Cinematic Arts
2. University of Jordan at Aqaba (2009)
3. Aqaba University of Technology (2011)
4. American University of Aqaba (2009)
5. British University of Aqaba (2009)
6. Institute of Banking Studies: Aqaba Branch

2. Jabal Ajloun Development Zone

Situated in Ajloun, Jordan's newest northern exciting destination, set amid iconic pine forests and olive groves, stretching over approximately 2200 Dunums at an altitude of 1239 meters above sea level, only 45 minutes away from the capital Amman; Jabal Ajloun Development Zone offers boundless opportunities inspired by its God's Green nature and distinguished unmatched East Med climate.

Jabal Ajloun Resort Town Opportunities:

- Eco - Tourism Developments
- Hotels, Spas and Resort amenities
- Community style living; varied real estate developments
- Retail and services.²⁰

²⁰ www.free-zones.gov.jo

3. King Hussein Bin Talal Development Area (KHBTD) – Mafrq

Situated 60km northeast of the capital Amman, at the nexus of a modern highway network connecting Jordan, Syria, Iraq and Saudi Arabia; KHBTD is stretched across 21 km² and positioned at a unique strategic geographical location for industrial production and a regional transportation hub for onward movement of goods from and throughout the region and the world, with an adjacent functional airport and a future railway system.

KHBTD sector opportunities:

- Light and medium industry sector:
 - Food and beverage.
 - Pharmaceutical and medical supplies.
 - Light chemicals.
 - A wide range of other manufactured products.
- Logistics Sector.
- Residential, Community Services and Commercial Sector.²¹

4. Dead Sea Development Zone in Jordan.

Following the great success achieved by the first Free Zones Investment Forum in Dead Sea, which was held in the Jordanian capital in 2008, the message of the forum is based on the important role played by the free zones & development areas in Jordan in general and the Arab Free Zones in particular in the promotion of joint Arab action and its role in the development of national economies. It also aims at exchanging different Arab and foreign experiences in the fields of management and investment in cities and free development zones in order to promote the investment climate in the Arab free zones and attract projects, domestic and foreign capital. Mr. Gudha pointed out that "there are many investment opportunities available in the area of investment in free zones expressing hope they will be presented through this forum to be submitted to the investors. Al-Gudha also spoke about the importance of tariff liberalization on industries in the free zones in order to benefit from Arab free trade agreements. He also highlighted the importance of the start of the Arab Free Zones Union and the

role of Arab Economic Unity Council in the promotion of bilateral trade between the Arab States.²¹

5. Al KARAK free economic zone. Al Karak has been inhabited since at least the Iron Age, and was an important city for the Moabites (who called it *Qir of Moab*). Karak City's Metropolitan population is estimated to be 68,800 (2003 estimate), making up 31.5% of the total population of the Karak Governorate. Most of the population of the city are Muslims, there is also a significant Christian population. In general the percentage of Christians in Karak City is among the highest in Jordan. In 1920's al-Karak had a population of 8,000 and after Amman and Salt (both 20,000) was the third largest urban population in Transjordan.

6. The idea of establishing **Al-Karameh Free Trade Zone** came after extensive studies and deep analysis of actual status of the Jordanian economy that is witnessing a great prosperity due to political, security, economical and social stability and the excellent reputation gained internationally. Jordan, which shares borders with six Middle East countries, forms an important transit center for the region. . Furthermore, Jordan's long experience and expertise in serving as a transit center for the region, coupled with its strategic location, highly qualify it to play a pivotal role in promoting the development and integration of regional cooperation. Sharing borders with Iraq adding to the above privileges gave Al-Karameh Free Trade Zone the advantage to act as a leading participant in the reconstruction of Iraq in all fields since it will form an advanced physical location to Iraq.

The reasons of creating in Jordan.

²¹ www.kinghusseinzone.com

- Unique and Strategic Location.
- Stable Political Environment.
- Free Market Oriented Economy.
- Access to Major International Markets.
- Qualified and Competitive Human Resources.
- World Class Infrastructure and Communications.
- Attractive Investment Climate.

Al-Karama location

The Free Zone is located in Al-Mafraq Governorate, about (360) Km east of Amman, on an area of (10000) dunums along the Jordanian –Iraqi Borders. The Zone is divided as follows:

- (2000) dunums were allocated to establish a public free zone.
- (8000) dunums were allocated to establish a multi-purposes private free zone thereon.²²

7. Queen Alia International Airport (IATA: AMM, ICAO: OJAI) (Arabic: مطار الملكة الدولي علياء الملكة; transliterated: Matar al-Malikhah 'Alya' ad-Dowaly) is Jordan's largest airport that is situated in Zizya (زيزياء) area, 20 miles (32 km) south of Amman. The airport has three terminals: two passenger terminals and one cargo terminal. It is the home hub of Royal Jordanian Airlines, the national flag carrier, as well as being a major hub for Jazeera Airways and Jordan Aviation. It was built in 1983. Buses and taxis serve the airport all day, with buses operating every half hour to Amman. A new rail line is being constructed that will link Queen Alia International Airport with Central and Downtown Amman.²³

Statistics of Queen Alia International Airport. Table 7

(taken from <http://www.jordantimes.com/news>)

Passenger Numbers

Year

Total passengers

²² Taken from “Ministry of planning and international cooperation of Jordan”

²³ http://www.iq-airways.com/AirqAirways/trips_special.php

2002	2,334,779
2003	2,358,475
2004	2,988,174
2005	3,301,510
2006	3,506,070
2007	3,861,100
2008	4,477,800
2009	4,770,000
2010	5,400,000

Table 8 : Active QIZs According to Location, and No. of Companies

Industrial zone	Location	No. of Companies	Status
Al Tajamouat Industrial City	Amman	22	Active
Al Hassan Industrial Estate	Irbid	16	Active
Al Dulayl Industrial Park	Zarqa	14	Active
Al Hussein Bin Abdullah II	Al Karak	3	Active
Cyber city Park	Irbid	2	Active
Al Qastal Industrial Park	Al Qastal	2	Active
Al Zay Ready Wear	Al Ruseifah	1	Active
Total		60	

Source: Industrial Development Directorate, Ministry of Industry and Trade

In addition to the above mentioned active QIZs, there are two zones in process and four zones under construction, meaning they are planned to be opened in the future through attraction of investors. Also, one company, specializing in garments, has been found working in one of these zones without having QIZ status from the MIT and therefore does not export to the USA. Table 8 shows the main non-active zones and Table 7 shows the main active zones according to their location.

Table 8: Not Active and Under Construction QIZs in Jordan

Industrial zone	Location	No. of Companies	Status
Al Mashta Industrial Park	Al Mashta	0	Not active
Hillwood Hashemite Uni.	Zarqa	0	Not active
Al Hallabat Industrial Park	Ad-dulayl	1	In process
Resources for Development & Investment Co.(Al Mawared)	Al Muwaqar	0	In process
Aqaba QIZ	Aqaba	0	Not active
Jordan Valley Gateway Park	Sheikh Hussein	0	Not active

Source: Industrial Development Directorate, Ministry of Industry and Trade

Table 9: No. of Companies, Closed, and Which Refused and Agreed to fill the Questionnaire in Jordan

MIT data	Field Research Data			
Industrial zone	No. of Companies	Closed Companies	Companies Agreed to Fill the Questionnaire	Companies Refused to Fill the Questionnaire
Al Tajamouat Industrial City	22	4	16	2
Al Hassan Industrial Estate	16	3	9	4
Al Dulayl Industrial Park	14	2	9	3
Al Hussein Bin Abdullah II (Karak)	3	0	2	1
Cyber City Park	2	0	2	0
Al Qastal Industrial Park	2	1	0	1
Al Zay Ready Wear	1	0	0	1
Total	60	10	38	12

Source: Author calculations based on the field research.

2.2 The influence of the free economic zones in Jordan's export growth.

Jordan is a low-middle income country, with a per capita income of around US\$ 2,320 and a population of 5.5 million in 2005. Over the past three decades, Jordan benefited from the oil boom in the region. During this period, the Arab aid increased to Jordan. In 1980, the real economic growth registered 11.1 percent. But in the late 1980s, Arab aid and worker remittances decreased from the gulf area. Economic growth slowed down during the period 1988-1991 due to the financial crisis and the gulf war.

In 1992, Jordan continued implementing the structural reform program that started in 1989. Through the 1990s, the Jordanian economy registered a remarkable real growth rate, with an average annual growth rate of 4.3 percent. In spite of the regional uncertainty, Jordan's economy continued its good performance in 2005, with real GDP growth rate of 7.2 percent. This was driven by the efforts of a structural reform strategy that was adopted during the last decade, particularly on the fiscal and monetary side, privatization, and opening the economy to the international market. Table shows the development of the main economic indicators during the last years.

Table 10: Main Economic Indicators in percentage (%)

	1980	1985	1990	1995	2000	2005
Real GDP	11,1	-2,7	-0,3	6,2	4,1	7,2
Total	39,9	6,9	10,7	24,7	3,7	10,8

Exports						
Domestic Exports	45,5	-2,2	14,6	26,5	2,8	11,4
Imports	22,2	0,3	40,3	9,6	23,7	28,3
QIZs Export	-	-	-	-	945,8	9,9

Sources: Ministry of Industry and Trade, Ministry of Finance and Central Bank of Jordan

Economy

Nominal GDP (2009): \$21.92 billion.

Annual real growth rate (2009): 3.2%.

Per capita GDP (2009): \$4,700.

Natural resources: Phosphate, potash.

Agriculture (3.01% of GDP in 2009): *Products*--citrus, tomatoes, cucumbers, olives, sheep, poultry, stone fruits, strawberries, melons, dairy. *Land*--4.5% arable; 2.5% cultivated.

Industry (15.95% of GDP in 2009): *Types*--clothing, phosphate mining, fertilizers, pharmaceuticals, petroleum refining, cement, potash, inorganic chemicals, and light manufacturing.

Trade: *Exports* (2009)--\$7.54 billion: garments, fertilizers, potash, phosphates, pharmaceutical products and vegetables. *Major markets*--India, U.S., Iraq, Saudi Arabia, EU, U.A.E., Syria, Israel. *Imports* (2009)--\$16.12 billion: crude petroleum and derivatives, machinery and equipment, vehicles, iron, and cereals. *Major suppliers*--Saudi Arabia (mainly crude oil and derivatives), EU, China, U.S., Egypt, South Korea, Japan, Turkey.

Note: From 1949 to 1967, Jordan administered the West Bank. Since the 1967 war, when Israel took control of this territory, the United States has considered the West Bank to be territory occupied by Israel. The United States believes that the final status of the West Bank can be determined only through negotiations among the concerned parties based on UN Security Council Resolutions 242 and 338.

Exports

Domestic exports recorded strong growth during the period 1980-2004, with an average annual growth rate of 16 percent. The remarkable growth of domestic

exports was due to such things as (1) the role of the government to encourage exports, (2) the role of the private sector in boosting exports by penetrating new markets, (3) the improved competitiveness of Jordanian products abroad, (4) the export led growth strategy which was adopted in the late 1980s, (5) the exchange rate regime, which was followed in the late 1990s, and (6) free market policy and liberalization of the economy. One source of the good performance of exports in the recent years was led by a QIZs initiative which helps to increase the Jordanian exports to the USA market. Latest data shows that export from QIZs increased in value from US\$ 2.4 million in 2000 to US\$ 586.6 million in 2003 and continues to increase in 2004 until it reached US\$ 1121.2 million and composed around 34.5 percent from the domestic exports.²⁴

Impact of Zones on Exports(table 11)

	Zone Exports (US\$ millions)	Percentage of Exports
Global	851,032	40.8%
Asia and the Pacific	510,666	41.0%
Americas	72,636	39.0%
Central and East Europe and Central asia	89,666	38.7%
Middle East and North Africa	169,459	36.4%

²⁴ *Book “ Qualifying Industrial Zones and Free Zones”*

Sub-Saharan Africa	8,605	48.7%
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Sources: BearingPoint; ILO database; WEPZa (2007); FIAS research.

Jordan's Foreign Trade Policy

Jordan's trade policy is based on openness and integration with the world economy. During the past years, Jordan reacted to the changes in world economy by liberalizing its economy. It adopted open door policies and an export-led strategy, signed many trade agreements with other countries, and set up free trade zones.

In addition to the QIZ agreement in 1997, the most important trade agreements that Jordan signed are the ones with the World Trade Organization (WTO) in 2000, the European Association in 2000, and the Free Trade Agreement with the USA in 2000. These agreements were assumed to create a healthy investment climate in the country, increase exports, and attract foreign direct investment.

By adopting this trade policy, Jordan sought to use these as an engine for growth to improve Jordanians welfare and standards of living. However, with the entrance of other developing countries into similar trade agreements, the Jordanian economy had to face many challenges, particularly concerning the industrial exports sector. As a result, competition increased between the Jordanian export market and the export markets of China, Pakistan, and Egypt. The following are brief descriptions of these major free trade agreements. Public free zones can be defined as a zone where investment is administered by the free zones corporation. During the 1970s, Jordan set up the first free zones near the Aqaba port.

According to the free zone corporation law, the main reasons behind establishing these zones in the country were to achieve the following: 1) encourage export oriented industry, 2) serve the transit trade between Jordan and neighboring countries, 3) attract foreign direct investment, and 3) serve as warehousing and storing place for different kinds of goods. Both Jordanian and foreign investors are permitted to invest in trade, services, and industrial projects in free zones. Industrial projects must have the following characteristics:

- (a) New industries depending on advanced technology,
- (b) Industries requiring local raw materials and/or locally manufactured parts,
- (c) Industries complementing domestic industries,
- (d) Industries enhancing labor skills and promoting technical know-how, and
- (e) Industries providing consumer goods and reducing the dependency on imports.

More than 20 years passed, the role of these zones on the economy is low both absolutely and especially when comparing to other types of zones. The available data for the Jordanian free zones during the period 1974 – 1997 and its impact on the economy is shown in the following ²⁸ :

- The main dominant sectors in the free zones were trade for storage purposes, service, and industry. The trade and services sector consists of around 84.3 percent of private investment, while the industry sector consists of around 9.5 percent of private investment.
- The total expenditure for establishing the free zone during the above mentioned period amounts to around US\$ 39.5 Million. This amount was spent on the infrastructure and on expanding other free zones in Aqaba and Zarqa.
- The relative importance of the revenue from the free zone as a share of GDP does not exceed 0.1 percent at an annual basis during the above mentioned period.
- By the end of the year 1993 the number of investors in the trade, industrial sector and cars exhibitions reached 527, 25, and 125 respectively.
- The dominant nationality of investors in the free zone is Jordanian and consists of around 81 percent of the total investor while foreign investors do not exceed 19 percent. According to the results above, the relative impact of this kind of zone on the economy concerning foreign direct investment, employment, technology transfer, and foreign currency earnings is weak. The free zone neither

transforms the country into an industrial park, nor does it keep pace with the changes in the regional and global economies.²⁵ **Private Free Zones**

Private free zones have generated greater economic benefits than the traditional public free zones in almost all respects. Private free zones are defined as zones which are administered by the private sector under the supervision of the Free Zone Corporation. In 1991, the Jordanian government approved the establishment of privately owned free zones to activate the private sector in economic development. There are currently nine privately owned free zones operating in Jordan, four of which are industrial free zones and the others are multi-purpose zones. The total capital in those zones is estimated at US\$ 1180 Million in 2005. This figure represents about 90 percent of the total investment in the current public and privately owned free zones. This reflects the important role played by those zones in activating Jordan's industrial strategy and foreign trade.

Latest data about private free zones in Jordan shows that there were about 22 companies employed around 4,000 local employees.

Table 12: Value of Investment

	Al Tajamouat Industrial City		Al Hassan Industrial Estate		Al Dulayl Industrial Park		Al Hussein Bin Abdullah II (Karak)		Cyber City Park		Total		
Value of Investment	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	Value	No.	(%)
2000	3	8.7	5	9.3	1	3.5	2	24.7	0	0	46	11	37.9
2001	4	8.6	1	6.5	4	22.5	0	0	2	5.1	43	11	35.0
2002	5	9.2	0	0	0	0	0	0	0	0	9	5	7.5
2003	1	4.2	3	9.8	3	4.1	0	0	0	0	18	7	14.8
2004	3	3.6	0	0	1	2.1	0	0	0	0	6	4	4.7
Total	16	17.3	9	15.8	9	32.2	2	24.7	2	5.1	122	38	100.0

Source: Field Research

Table 12 reveals the value of investment inflow to Jordan by the investors in QIZs. While QIZs attracted around US\$ 122 million in investments from 2000 to 2004, the value fluctuations significantly during the studied period. In the early years, investments topped US\$46 million per year. In the years from 2002 to 2004, investments in QIZs witnessed a dramatic decrease, totaling just US\$33 million combined.

²⁵ Al Khouri, R. (2001). Qualifying Industrial Zones as a Model for Industrial Development: Case of Jordan and its Implications for the Region, Friedrich-Elbert Stiftung, Amman office, can be found in www.fes-jordan.org, December.

Table 13: Types of QIZs

	Al Tajamouat Industrial City		Al Hassan Industrial Estate		Al Dulayl Industrial Park		Al Hussein Bin Abdullah II (Karak)		Cyber City Park		Total	
Types of QIZs	No.	(%)	No.	(%)	No.	(%)	No.	(%)	No.	(%)	No.	(%)
Public	0	0	9	100	0	0	2	100	2	100	13	34.2
Private	16	100	0	0	9	100	0	0	0	0	25	65.8
Total	16	100	9	100	9	100	2	100	2	100	38	100

Source: Field Research

As was mentioned in Table, there are two types of QIZs - public and private. Table 5.4 shows in spite of the fact that companies operating in the public QIZs receive more incentives and tax exemptions, around two thirds of investors are operating in private QIZs. The main benefit of operating in private QIZs is that companies have no time limit to export during the day or holidays, in contrast to the public QIZs where such limitations exist. Also, private QIZs tend to be closer to the city center, providing better access to workers and infrastructure. The advantage of public QIZs appears to be in the area of tax exemption, infrastructure, and cost of production.

The Free Trade Agreement (FTA) with the United States that went into effect in December 2001 will phase out duties on nearly all goods and services by 2010. The agreement also provides for more open markets in communications, construction, finance, health, transportation, and services, as well as strict application of international standards for the protection of intellectual property. In 1996, Jordan and the United States signed a civil aviation agreement that provides for "open skies" between the two countries, and a U.S.-Jordan treaty for the protection and encouragement of bilateral investment entered into force in 2003. Jordan has been a member of the World Trade Organization since 2000. Jordan is classified by the World Bank as a "lower middle income country." The per person GDP is approximately \$1,755 and rates of poverty and unemployment remain high. Education and literacy rates and measures of social well-being are relatively high compared to other countries with similar incomes. Jordan's population growth rate is high, but has declined in recent years, to approximately 2.7% currently, the average for the region.²⁶

²⁶ www.fes-jordan.

JORDAN

Budget: Income \$2.8 Billion

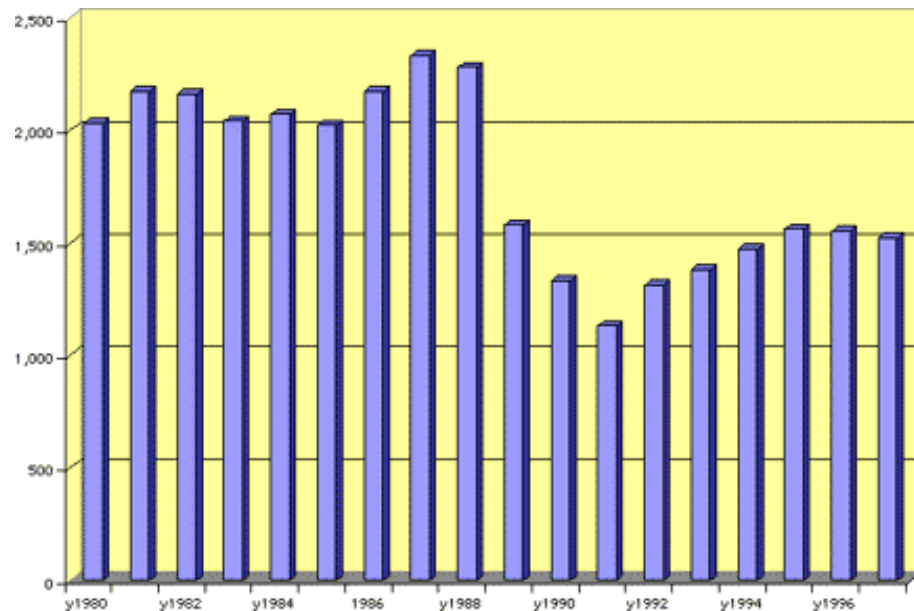
Expenditure ... \$3 Billion

Main Crops: wheat, barley, citrus, tomatoes, melons, olives; sheep, goats, poultry

Natural Resources: phosphates, potash, shale oil

Major Industries: phosphate mining, petroleum refining, cement, potash, light manufacturing

NATIONAL GNP



Taken from historycentral.com

Jordan is classified by the World Bank as a "lower middle income country." The per-capita GDP was approximately USD \$5,100 for 2007 and 14.5% of the economically active population, on average, was unemployed in 2003. Education and literacy rates and measures of social well-being are very high compared to other countries with similar incomes. Jordan's population growth rate is high, but has declined in recent years, to approximately 2.8% currently. One of the most

important factors in the government's efforts to improve the well-being of its citizens is the macroeconomic stability that has been achieved since the 1990s. However, unemployment rates remain high, with the official figure standing at 12.5%, and the unofficial around 30%. Rates of price inflation are low, at 2.3% in 2003, and the currency has been stable with an exchange rate fixed to the U.S. dollar since 1995. While pursuing economic reform and increased trade, Jordan's economy will continue to be vulnerable to external shocks and regional unrest. Without calm in the region, economic growth seems destined to stay below potential. On the positive side, however, there is huge potential in the solar energy falling on Jordan's deserts, not only for the generation of pollution-free electricity but also for such spin-offs as desalination of sea water (see Trans-Mediterranean Renewable Energy Cooperation (TREC)). Jordan is pinning its hopes on tourism, future uranium and oil shale exports, trade, and ICT for future economic growth. Amman was ranked as the Arab World's most expensive city in 2006 by the Economist Intelligence Unit, beating Dubai. In 2009, Amman ranked as the 4th most expensive city in the Arab World, behind Dubai, Abu Dhabi, and Beirut. Jordan is an importer of low skilled and semi-skilled laborers from Egypt, South Asia, Indonesia, and the Philippines. There are about three to four hundred thousand migrant workers of this type. These migrant workers often work in construction, the textile factories in Jordan's Qualified Industrial Zones, municipal maintenance services, and as domestic workers. Recently, these migrant workers were incorporated into the Kingdom's labor laws giving them a wide range of benefits and rights and access to legal protection, the first Arab country to do so. Jordan has several large-scale global corporations despite its small size. Some of these include Arab Bank, Aramex, Maktoob, and Kurdi Group. Since 2009, there are 2 Jordanian companies listed in the Forbes Global 2000 list, Arab Bank (Rank 708) and Arab Potash (Rank 1964). In addition, Jordan has several billionaires as well like Ziad Manasir and Eyhab Jumean.²⁷

Economic opportunities of Jordan

Overview - Land of Opportunities	<p>Jordan has a free market oriented economy. It has made significant progress toward economic reform due to the governments five year growth-oriented economic program in 1989 which was supervised by the World Bank and the IMF. There has been a privatization program to liberate the national economy and increase the flow of foreign capital. This program activated the role and</p>
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²⁷ http://en.wikipedia.org/wiki/Free_economic_zone

efficiency of private investors in the long term development and plans of the kingdom.

Investor Friendly Jordan

In the belief that an efficient regulatory framework stimulates the role of the private sector, Jordan has recognized the need to establish business-friendly structures with strong emphasis on supporting entrepreneurial initiative. His Majesty King Abdullah has identified national goals such as increasing foreign and domestic direct investments. His Majesty is the surest catalyst for creating sustainable economic growth.

With the establishment of the Investment Promotion Law in 1995, and with other subsequent actions designed to enhance the investment environment, Jordan has opened its economy to the wealth and prosperity business and investment should bring.

The Investment Promotion Law grants generous and attractive incentives to domestic as well as international investors in terms of: freedom from customs duties, tax holidays, income tax exemptions and unrestricted transfer of capital and profits. The implementation of this law is vested in the Jordan Investment Board which is the only national entity responsible for promoting and facilitating investment in Jordan. The law irrevocably affirms that both Jordanian and non-Jordanian investors are treated equally. Moreover, projects approved by the Investment Committee enjoy a ten year exemption from income and social services taxes at the following rates depending on the sector and the area in which the project is located. Some more advantages can also be enjoyed like Jordan's strategic location near Asia, Africa and Europe, Future regional markets, Abundance of space and lands, Access to foreign markets, Competitive qualified labor, Conducive investment climate and The fact that Jordan is part of the MENA region which provides a vital economic power.

Jordan in the Global Economy

Located in the heart of the Middle East, Jordan serves as a transit hub between the more populous countries of Iraq, Syria, Egypt, Israel, the Palestine National Authority territories and the Gulf States. Jordan's privileged, multi-border location assures its reputation as the "place to be" for companies seeking to do business in this part of the world.

International investors seeking to diversify their portfolios will find excellent investment opportunities in Jordan. As an emerging market, Jordan offers great development potential and promising economic growth. With its competitive advantages, Jordan is an ideal springboard for access to regional and international markets. High caliber human resources, low labor costs, a stable political climate,

attractive investment incentives and preferential trade agreements combine to make foreign investment in Jordan both profitable and secure.

Trade and Investment Agreements

1- Arab Free Trade Agreement (AFTA)

Jordan, along with ten other Arab countries, signed the Arab Free Trade Agreement and its implementation commenced on March 9, 1998. According to the agreement, all Arab products moving among Arab member states will be afforded the status of national goods in accordance with the principle of gradual liberalization, which took effect January 1, 1998. By way of annual reductions of 10% of customs duties, fees and taxes, goods are scheduled to be moving duty-free among the States through the establishment of the Arab Free Trade Zone by 2008. As a result Jordan is expected to attract new Arab-based investments, and to enjoy unhindered access to the markets of the Arab world.

Jordan has signed agreements guaranteeing 100% free trade with Bahrain, Kuwait and Libya. Similar agreements are pending with Tunisia, Egypt and Algeria.

2- Euro-Jordanian Association Agreement. Jordan is a signatory to the Barcelona Declaration in 1995, which calls for a free trade zone in the Mediterranean by 2010. This would cover the fifteen member states of the EU, twelve Mediterranean states and certain countries of southeastern Europe. On November 1997, the Hashemite Kingdom of Jordan and the European Union (EU) signed a partnership agreement that will pave the way for a free zone area by the year 2010. The Partnership Agreement which came into effect on the first of May 2002 comprises three major parts and a number of protocols and annexes that are considered original parts of the Agreement. The three parts are: Political and security partnership: this underscores the importance of respect for fundamental freedoms and the establishment of the rule of law. Moreover, relations between states must be guided by certain principles acceptable to all. Economic and Financial Partnership: this component aims at establishing a Euro-Jordanian free trade area, liberalizing trade progressively by 2010. The areas of co-operation cover: trade in agricultural and industrial products, right of establishment and services, payments and capital movements, competition, intellectual property rights, and financial and economic co-operation. Partnership in Social and Human Affairs: it aims at encouraging exchanges among civil societies. In the context of decentralized cooperation, the emphasis is placed on education, training and young people, culture and the media, migrant population groups and health.

The new Partnership will encourage more direct European investment in Jordan, facilitate technology transfer and provide free access to EU markets for the Kingdom's agricultural and industrial products. In addition, the EU will establish funds for the rehabilitation of Jordanian industry and its agricultural sector. Moreover, the EU has pledged to set up a special fund for assisting Jordanian industries to adjust to the requirements of the agreement, enhance their export capacity and improve their competitiveness. Currently, Jordan is hosting EJADA program, a group of local and European experts funded by the EU that provide technical and managerial support to businesses in Jordan.

Jordan's parliament has ratified the Euro-Jordanian Partnership Agreement whereby the Kingdom will enjoy free trade status with the EU countries. Being approval of EU Parliaments, this accord came into force in 2000. In addition to benefits in the political, social and cultural fields, the new partnership agreement promises to play an important role in Jordan's economic development. The accord encourages more direct European investments into Jordan, as industrial products manufactured in Jordan and exported to the EU are exempted from customs taxes and fees. Numerous industrial and agricultural products are enjoying privileged access to the EU markets by means of a range of custom tax and quota exemptions.²⁸

3- Promotion and Reciprocal Protection of Investment Agreements

In July 1997 Jordan and the USA signed a bilateral agreement on the promotion and reciprocal protection of investment. The agreement emphasizes the promotion of greater economic cooperation, and the free flow of investment between both nations. It grants investors from both sides free movement of capital and financial transfers, and awards US investments in Jordan national or most favored nation (MFN) status, whichever is more advantageous.

Similar bilateral agreements have been concluded with major European countries as well as with Malaysia, Indonesia, Tunisia, Egypt, Algeria and Yemen.

4- Qualifying Industrial Zones (QIZ)

The Qualified Industrial Zones (QIZ) Agreement, which provides duty free treatment for products manufactured in the designated areas, presents another opportunity for Jordan to increase exports to the U.S. markets. The first Qualifying Industrial Zone (QIZ) designated by the USTR is Al-Hassan Industrial Estate in Irbid, in northern Jordan. The success of El Hassan Industrial Park has prompted the establishment of another QIZ's, Al-Karak Industrial Estate which is managed by the Jordan Industrial Estates Corporation (JIEC), was designated in October, 1999 as the second QIZ in Jordan. It is strategically located on the international highway connecting Al-Karak city with the port of Aqaba and

²⁸ (2006) الحرة المناطق مؤسسة والمعرف الدراسات مديرية. التخطيط قسم رئيس / تادرس جاسر. د. إعداد. الاقتصادية التنمية في. الأردنية الحرة المناطق دور

is 110km South of Amman. Other areas in the Kingdom have also been designated QIZ. In 1996 the U.S. Congress established the Qualifying Industrial Zone (QIZ) initiative to support the peace process in the Middle East. These zones are industrial parks in Jordan or Israel from which goods can be exported duty free to the United States. This further enhanced Jordan's leverage over other neighboring countries in the MENA Region, Jordan was granted the unprecedented opportunity to establish zones which provide **duty** and **quota free** access to the U.S. market for products manufactured in Jordan.

QIZs have been viewed as a gift to Jordan, cementing peace relations, inviting foreign direct investment and creating employment opportunities through increased exports to the US.

In terms of trade liberalization, Jordan made tremendous strides in the second half of the 1990s through several agreements including signing the EU-Jordan Association Agreement in November 1997; accession to the WTO in early 2000; signing the Greater Arab Free Trade Agreement in 1997; negotiating a free trade agreement with the countries of European Free Trade Area (EFTA); initialing a free trade agreement with the US; and the conclusion of a Mediterranean Arab Free Trade Area (MAFTA).

Through QIZs Jordanian goods manufactured in partnership with Israelis (a minimum of 8 per cent content, 7 per cent in the case of high-tech products) can access the US market quota and duty free, thereby extending to Jordan benefits that are traditionally enjoyed by the US free trade partners (Canada, Mexico, Israel, PNA).

The success of QIZs in Jordan has been witnessed mainly in labour intensive industries, such as the clothing industry where exports to the US have more than tripled during 1997-99, employing around 6,000 workers.

5- World Trade Organization

On April 11, 2000 Jordan was officially accepted into the World Trade Organisation (WTO) as the organization 136 member. Jordan has long aspired to be part of the WTO. In order to gain a commendable opportunity for entering global markets and promoting trade improving and economy in general. Jordan has preliminary sought to join the GATT (the WTO's predecessor) in 1994. Encouragement of Foreign direct investments (FDI) is also a main reason for Jordan's enthusiasm to join WTO. Free trade has always been a hallmark for growth. Surely there are factors to take into account today by the term "trade" over and above the free flow of goods and services. Foreign direct investments (FDI) are regarded as a major phenomenon in their contribution to the globalization markets and as a source of external capital in their contribution to the growth. As Jordan remarks on an era of ambitious reform, trade liberalization, and economic

and legislative reform, it has reflected a determination to be a committed member of the (WTO).

6 - United States–Jordan Free Trade Agreement

On October 24th 2000, His Majesty King Abdullah II and US President Bill Clinton witnessed the signing ceremony of the Jordan US Free Trade Agreement that would provide Jordanian products unimpeded access to the world's largest market. The pact includes precedent-setting provisions aimed at protecting worker's rights and the environment. His Majesty has been instrumental in paving the ground for reaching the Agreement. The Agreement will help Jordan's economy to shift from a state of dependence on foreign aid to one of self-reliance and to prosper through increasing customs-free exports, attracting foreign investments and facilitating the transfer of technology.

The Agreement demonstrates the appreciation of the US administration for His Majesty's efforts to reform the economy and develop the investment climate in Jordan. International institutions have also lauded these efforts geared to implement economic reform programs and boost the private sector's role in economic liberalization. At the signing ceremony President Bill Clinton stated: "Under King Abdullah's leadership, Jordan already made impressive strides in modernizing its economy, opening its market, promoting the well-being of its people. This agreement will help to accelerate that progress. It will also cement the bonds of friendship that already exist between Jordan and the US." The Agreement was ratified by the U.S. Congress on the 28th of September 2001 and it came into force on the 17th of December 2001.²⁹

Problems of Jordanian growth and development. With a large stock of foreign debt, high unemployment, and much of the population living below the poverty line, Jordan has for the last couple of decades struggled to achieve expansion of gross domestic product (GDP) greater than population growth. Some external factors over which Jordan had little control contributed to the slowdown, but many internal ones were also to blame. In any case, the Kingdom in the second half of the 1990s suffered from a weak economic performance as a series of wide-ranging structural reforms were implemented and GDP growth barely averaged 3 percent. As the same period witnessed more than 3 percent annual population growth, real per capita GDP stagnated.³⁰ The past few years have witnessed an increasing recognition of the need to move economic policy away from pre-occupation with

²⁹ investor friendly Jordan

³⁰ ZEF Projekt: „Verbesserung der Wirtschaftsgesetzgebung in arabischen Ländern“ (überregionales Forschungsvorhaben), Januar 2005

macro-economic stabilization embodied in the successive structural adjustment programs, to an explicit growth orientation. To make the Jordanian economy move ahead substantially, a growth rate of 6 percent or higher is required to create new employment opportunities and absorb part of the unemployed. In general, the state will have to play a stronger role in helping to improve the situation in the labor market, while at the same time the government's role as an employer shrinks. The situation in the labor market remains problematic, with the most worrying feature the inability of the economy to develop fast enough to provide employment for young people. Related to this problem of labor force restructuring is the issue of regional (sub-national) development. There are numerous hotels that reside in Aqaba but new hotels are also under construction. Aqaba is the only seaport of Jordan so virtually all of Jordan's exports depart from here. Over \$20 billion worth of investment is pouring into Aqaba by Gulf and European investors which overshadows Eilat, the prosperous Israeli Red Sea resort only several miles away. By 2006 the ASEZ had attracted \$8bn in committed investments, beating its \$6bn target by 2020 by a third and more in less than a decade. The goal was adjusted to bring in another \$12bn by 2020, but in 2009 alone, deals worth \$14bn were inked. Some projects currently under construction are:

- Saraya Aqaba, a \$700 million resort with a man made lagoon, luxury hotels, villas, and townhouses that will be completed by 2010.
- Ayla Oasis, a \$1 billion resort around a man made lagoon with luxury hotels, villas, a 18-hole golf course. It also has an Arabian Venice theme with apartment buildings built along canals only accessible by walkway or boat. A water park is part of the project. This project will be completed by 2017.
- Tala Bay, a \$500 million resort with a manmade lagoon, luxury hotels such as the Hilton and villas. It is already completed. It also has a beach club that hosts the annual Distant Heat Festival, a rave held August 1.
- Marsa Zayed, a \$10 billion marina community that is the largest real estate project in Jordan's history, which maximizes frontage on the Gulf of Aqaba to create a vibrant mixed-use community. Part of the Jordanian government's initiative to double its tourism economy by 2010, Marsa Zayed is designed to help fuel the country's growth by providing more than 300 yacht berths in a luxury marina, a cruise ship terminal and a mix of hotels, apartments, villas and townhouses for more than 50,000 people. This project will be completed by 2017.

- Port relocation. Aqaba's current port will be relocated to the southernmost part of the province near the Saudi border. Its capacity will surpass that of the current port. The project costs \$5 billion, and it will be completed by 2013.
- Aqaba will be connected by the national rail system which will be completed by 2013. The rail project will connect Aqaba with all Jordan's main cities and economic centers and several countries like Saudi Arabia, Iraq, and Syria.
- The Aqaba Container Terminal (ACT) handled a record 587,530 twenty-foot equivalent units (TEUs) in 2008, an increase of 41.6% on the previous year. To accommodate the rise in trade on the back of the increasing popularity of container shipping and the stabilising political situation in Iraq, the Aqaba Development Corporation (ADC) has announced plans for a new port. The port relocation 20 km to the south will cost an estimated \$600m and will improve infrastructure, while freeing up space for development in the city.³¹

2.3 The opportunities of exchanging Jordan's free economic zone experiences with Uzbekistan.

Although different countries sought to achieve different objectives by establishing Free economic zones, many of these objectives are similar. It may be stated that the short term objectives of the host country from establishing Free zones are to increase exports and foreign exchange earnings, generate employment opportunities, stimulate investments and accelerate regional development. In the long run, the host country hopes that the zones would also contribute toward the transfer of technology, the acquisition and upgrading of management skills and the enhancement of linkages with the host country's economy.

Currently, there is Navoi region (Navoi free economic industrial zone) in Uzbekistan with developed industrial production, skilled manpower and rich raw material resources, as well as occupying a strategic location in the central part of the country has all for creation of a huge regional manufacturing complex and industrial center on its territory.

³¹ <http://www.aqabazone.com>

In an effort to increase production potential, acceleration of introducing of innovative technologies and developing of the new kinds of essential products demanded on the world market, leadership of the Republic of Uzbekistan made a decision of establishing the first in the country free industrial-economic zone in Navoi city, the administrative center of the region.

The factor of beneficial location of the Republic of Uzbekistan on the crossroads of trade routes between the huge regional markets of South-East Asia, Central and Eastern Europe, Middle East and Commonwealth of Independent States played a considerable role in making this decision.

The existing favorable conditions for establishment of international transportation and logistics Center on the base of Navoi Airport is an important prerequisite for organizing the new competitiveness products here with the possibility of immediate transportation of finished goods to the ultimate consumers in Europe and Asia.³²

The map of Uzbekistan and Navoi industrial free economic zone at the center (taken from www.navoi.uz)



32 www.navoi.uz

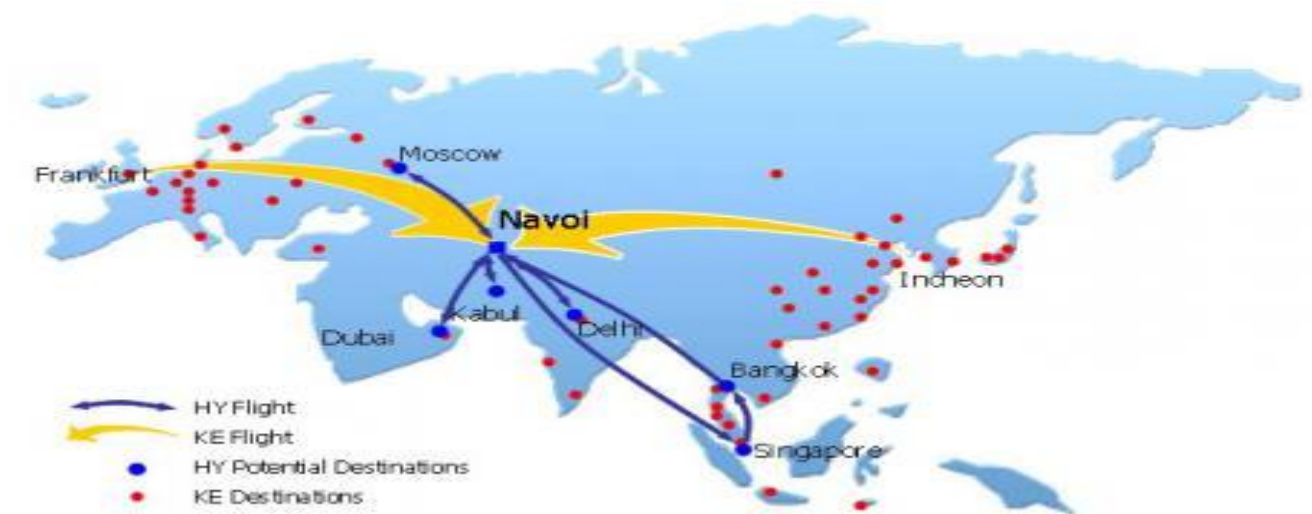
The Concept of the FIEZ. The Concept of the Free Industrial-Economic Zone on the base of Navoi airport grounds the forming the innovation-industrial, transport-logistical, social and recreational complex in 3 states with mastering about 500 hectares of free area on each of them. Available raw material potential allows to produce a wide range of finished goods, first of all textiles, sewing and leather-shoe goods, foodstuff, chemical, petrochemical and pharmaceutical output, building materials, as well as electro-technical, telecommunications and machine-building products

(this photo taken from www.navoi.uz).



At the same time, the organizational measures undertaken now will allow to start the implementation of 20-40 investment projects in the current year, and in the upcoming 2010 to bring the number of implementing projects up to 100-120.

The Terms of Operation. The terms of operation of "Navoi" FIEZ will amount 30 years with the possibility of further extension for additional period. During this period special customs, fiscal and tax regimes, a simplified procedure for entry, stay and departure as well as obtaining of permits to carry out the labor activity by non-resident citizens of Uzbekistan will have an effect.



The first steps in this direction have been done in August 2008, when a big South-Korean “Korean Air” air company started regular cargo flights on the route Seoul – Milano – Seoul with 6 intermediate landings in a week in Navoi city. At the same time regular flights of National Air company of Uzbekistan and Moskoviya Russian air company on the route Navoi – Tashkent – Moscow are being continued. Beside air communication, Navoi has high transit potential of land transportation.

The developed transport communication network, integrated into the international transport system and which is the key challenge in communication system of Central Asia and CIS countries run via the city. International transport corridors lie in immediate proximity to Navoi airport: railway “Afghanistan – Central Asia – Europe” and automobile road “E-40” of international significance which links Beijing with Paris.



Currently construction of railway passing-track, connecting the city with the following railway trunks are being carried out:

- In the north-west direction – Uchkuduk - Nukus - Volgograd with the next exit via Russia to the European countries;

- In the east direction – Samarqand - Tashkent - Dustik with the next exit to China and South-East Asia;

- In the south direction – Bukhara - Turkmenistan - Bandar-Abbas with the further exit to the Middle East countries and the Persian Gulf.

40 foreign investment enterprises operate in Navoi province. Most of them are established with participation of investors from USA, China, Russia and the United Kingdom – Uzbek-British Joint Venture “Amantaytau-Goldfields” is successfully working in the province.

Nevertheless, the following are best practice guidelines for the physical development and management of zones for Navoiy Industrial Free economic zones:

- 1) Implement **land use planning and zoning efforts** in defined areas for industrial and commercial development to attract private developers;
- 2) Develop **zone designation criteria** in the zone law and implementing regulations to ensure that private zones are conveniently located (near population centers and transportation hubs) and minimize off-site infrastructure development costs for public authorities;
- 3) Establish a **land use planning and infrastructure development unit** in the government to ensure adequate planning and support of off-site infrastructure provision.³³

So, here are the some opportunities or suggestions of Jordan’s free economic zone experiences with Uzbekistan:

- High-tech, information industries development(between Uzbekistan and Jordan);
- Acceleration of the integration of Uzbekistan’s economy in the global economic system(including Jordan);
- Creation of highly effective, high-tech and export-oriented information technologies manufactures(Jordan, from Aqaba)
- The development of new types of information technologies products.
- Attracting investments.(like free economic zone Aqaba)

³³ www.oecd.org/mena/investment

Here are the directions for developing Navoi Industrial economic zone by using Jordan's ways:

--- **Tourism.** As we have told, In 2006, the number of tourists visiting the Zone in 2006 rose to about 432,000, an increase of 5% over previous year. Of foreign tourists, Europeans visited the Zone in the largest numbers. So, Uzbekistan also should develop it by communicating with European through Jordan country.

---**Education.** Nowadays, In Aqaba (Jordan) has 6 universities which are best. So, in Navoi city also we can build different universities in order to support this free industrial economic zone and we can also open different courses for developing the industry.

--- **Logistics Sector, Residential, Community Services and Commercial Sector (Mafraq).** If we open these kinds of sectors in Navoi Industrial economic zone, it helps to develop the economy and attract the investments.

--- **Opening Free Zones Investment Forum in NIEZ.** Because, the great success achieved by the first Free Zones Investment Forum in Dead Sea, which was held in the Jordanian capital in 2008. The aim of opening it in Navoi is exchanging different foreign experiences in the fields of management and investment in cities and free development zones in order to promote the investment climate and attract projects, domestic and foreign capital.

---**Opening free market oriented economy.** In Jordan, it has made significant progress in economy.

--- **Increasing foreign and domestic direct investments.** In Jordan, even it has a law which connects to the direct investment and it helps to attract the investments.

--- **Trade and Investment Agreements.** As it is written above, Jordan has signed agreements guaranteeing 100% free trade with Bahrain, Kuwait and Libya. Similar agreements are pending with Tunisia, Egypt and Algeria. So, Uzbekistan should also have these kinds of agreements between Arab countries or other countries in the world.

--- **Qualifying Industrial Zone Agreement with other countries.** If we do it for Navoi Industrial economic zone, it will provide duty free treatment for products manufactured in the designated areas, presents another opportunity for Uzbekistan to increase exports to the other foreign markets.

Conclusion.

So, According to analyze of qualification work “the site and the role of free economic zones in Jordan”, these conclusions were generalized.

1. The primary aim of creation special economic zones is deeper connecting of national economies into the international geographical division of labor. Other aims are: creation of highly effective, hi-tech and export-oriented manufactures, development of new kinds of production, attraction of investments, perfection of legal regulations of market relations.
2. Newly created special economic zones should posses several fundamental features:
 - Favorable geographical position connected with main transport ways;
 - Presence of infrastructure;
 - includes presence of power resources in the area;
 - Being developed and stable legal bases;
 - Attracting domestic and overseas investments and others.
3. According to analyzes, the problems which influence for developing of free economic zones in Jordan are found:
 - Having a large stock of foreign debt of the country;
 - high unemployment (35% of population who can work are unemployment)
 - much of the population has been living still below the poverty line.
(Per capita GDP (2009): \$4,700.
 - The political fidget of the country
 - Including the domestic political fidget of the country from 2010.
4. The advantages of creating free economic zones in the Jordan:
 - Comfort the economic geography of the country;
 - Having opportunities for the attracting the investments because of having Euro-Jordanian Association Agreement & United States–Jordan Free Trade Agreement;
 - The importance of WTO in the free economic zones of Jordan.
 - Tourism Developments in the country
5. In 2010, exchange of commodities between two countries made total only 271,9 thousand \$, in that export of Uzbekistan made only 254,0 thousand \$ and import 17,8 thousand\$.
6. As a conclusion, here are the suggestions for the developing partnership between Jordan and Uzbekistan:

- Export and import activities between two countries for the developing overseas trade;

- Attracting investments for not developed different sectors between two countries;

- Developing tourism communities.

7. Suggestions to the opportunities of exchanging Jordan's free economic zone experiences for the developing our country's free economic zones:

- Developing tourism communities.

- Attracting investments of Jordan.

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