

Distribution Services Sector: Commission Agents' Services

Trade In Services Benchmarking Study

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List of Acronyms

CPC	Central Product Classification
EU	European Union
FDA Jordan	Food and Drug Administration Jordan
GATS	General Agreement on Trade in Services
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
SWOT	Strengths, Weaknesses, Opportunities, Threats
UNCTAD	United Nations Conference on Trade and Development
USAID	United States Agency for International Development
WTO	World Trade Organization

1.0 Research

1.1 Previous Researches

No public studies have been conducted on the commission agent sub-sector of the Jordanian economy. As such, the research below constitutes the first study to evaluate the sector for official purposes.

1.2 Current Research

Data collection activities for this study have focused on several specific areas:

1. Desk research in which the following was achieved:
 - a. A better understanding of various free trade agreements to which Jordan is a signatory.
 - b. A better understanding of the different modes of supply
 - c. Review of Jordanian commercial law as pertaining to agencies
2. Interviews with practicing lawyers to better understand the practical application of commercial law with regards to agents and agency agreements.
3. Interviews with local private sector companies who are registered agents of foreign companies.
4. Evaluation of registered companies to identify the number of foreign investors in trade related companies with registered agencies.

Data collection parameters as set forth by the Department of Statistics and the Companies Controller department does not allow for exact measurement of the sector. Therefore, proxies have been utilized in order to estimate sub-sector size and contributions to GDP.

The consultant utilized the questionnaire employed for data collection by all sector studies. It was found that the sector participants interviewed were generally unaware of the issues raised. Most individuals were aware of specific constraints which are detailed in the business environment section. Moreover, indicators of quality and access were also not readily available

2.0 Sector Analysis

2.1 Sector Context

The Jordanian economy is predominantly trade based which makes the commission agent sub-sector one of importance as import orientation lends itself to agency. As such the sub-sector should be viewed from a trade reference point.

The Jordanian economy has historically run a chronic trade deficit. Imports exceeded exports by JD 5258.4 Million in 2006 and JD 6413.9 Million in 2007¹. Generally, there is little value added locally through industry². Value added figures, as a percentage of GDP, for Jordanian industry are 26%, 29%, 30% and 32% for the years 2000, 2005, 2006, 2007 respectively³. Low value added in industry is based on

¹ Central Bank of Jordan Annual Report 2007, Page 66

² World Bank Jordan Country Data Profile

³ World Bank Jordan Country Data Profile

the need to import most raw materials as well as the insignificant role of local intellectual property input (patents, designs, etc.)⁴

The general lack of industry is a reflection of the recent urbanization of Jordan and the little collective and cumulative experience in fabrication and/or industrial organization of work.⁵ This trend stems from Jordan traditionally being a nomadic society which used to depend on supplies from Syria, Palestine, and Lebanon for manufactured and/or fabricated goods. Moreover, in addition to the mentioned lack of cumulative and collective knowledge of fabrication and industrialization, the Jordanian economy general lack of availability to finance long term industrial investments (either individually or through banks) has led to a trade (import) heavy economy. Imports (in millions of JDs) continue to rise as shown in the table below⁶:

Table 1: Imports 2006, 2007 JD Millions

	2006	2007	% Change
TOTAL IMPORTS	8187.7	9593.5	17.2
Crude Oil			
Saudi Arabia	1453.2	1465.1	2.1
Transport Equipment and Spare Parts	795.8	771.9	-3.0
Germany	252.4	197.2	-17.9
Japan	143.9	171.2	19.0
South Korea	149.7	149.4	-0.2
Telecommunications Equipment	396.1	593.0	49.7
Finland	103.6	169.1	63.2
Hungary	69.4	152.7	120.0
Germany	76.4	107.8	41.1
China	69.0	56.2	-18.6
Textile Yarn, fabrics & Related Products	523.3	465.0	-9.2
China	244.1	222.7	-8.8
Taiwan	67.2	66.9	-0.4
Israel	31.2	25.3	-18.9
Iron & Steel	312.9	410.7	31.3
Ukraine	130.3	180.2	38.3
Russia	51.1	66.2	29.6
Petroleum Products	265.7	333.4	25.5
Kuwait	0.3	60.3	
United Arab Emirates	31.4	52.9	68.5
Electrical Machinery, Apparatus and Appliances	232.3	280.2	20.6
China	39.9	42.6	6.8
South Korea	30.4	28.4	-6.6
Turkey	15.6	24.0	53.8
United States	14.1	21.6	53.2

Source: Central Bank of Jordan Annual Report 2007

Thus a majority of businesses in Jordan are import based as primary-agent, secondary-wholesaler and/or tertiary-retailer. The preponderance of import based business as opposed to industrial enterprises is confirmed by data: over 40,000 trade

⁴ Laith Al-Qasem, Jordanian Consultant, personal knowledge of local industry

⁵ Laith Al-Qasem, Jordanian Consultant, personal knowledge of local industry

companies⁷ are registered compared to only 12,928⁸ (for 2006) registered industrial companies.

In the recent past, fortunes in the region were built by owning exclusive agencies in Jordan and the Middle East⁹. Agents had a monopolistic hold on the market for specific products or services and clients wishing to purchase a specific type of international product or service had to purchase from a specific agent. This included private sector and public sector clients. Thus, agents had the freedom to charge prices without fear of competition. For example, individuals wishing to purchase Toyota, Mercedes, Land Rover/Bedford or Ford vehicles had to purchase them through the Bilbeisi/Haddad, Gargour, Malhas and Twal family agencies respectively¹⁰.

Recently, this negotiating power related to the ability to price by agents has been curtailed due to the increasing prevalence of parallel markets which have loosened the negotiating power of local agents. Thus, although agencies are still coveted by Jordanian businesses, commission agents play a decreasingly important role in the Jordanian economy.

Size/Number of commercial agent companies in Jordan

Between 1997 and November 2008, at least 2,789 commercial companies were established that had in the articles of association "commercial agency" as one of their objectives¹¹. This is a conservative number, as there are numerous permutations in Arabic, the language of the Ministry of Industry and Trade data base, which have similar meanings¹². As such, the numbers of companies which either actively pursue commercial agent functions or are registered to carry out such services easily represent 10% of all commercial (non-industrial, non-manufacturing) companies in Jordan; however, the estimate could reach as high as 25% of all registered commercial companies¹³. Such an estimate easily underlines the prevalence of trade in the Jordanian economy and the perceived importance of commercial agents¹⁴.

Thus, although there are no data regarding the contribution of commission agents to GDP specifically, the very high level of importation as a percentage of GDP (93% in 2005¹⁵) indicates the potential contribution of commission agents. This is particularly relevant when considering the very large percentage of companies which are registered to carry out commission agent roles in all of its various permutations. Therefore, in 2005 commission agents could have been responsible for between 10% and 25% of GDP (2005 GDP = USD 15.83 Billion in Current US Dollars)¹⁶.

⁷ http://www.ammanchamber.org/misc/about_a.asp

⁸ <http://www.jci.org.jo/mempage.cfm?L1=%22%2980%20%0A&Emp=0>

⁹ Source Laith Al-Qasem, Jordanian consultant, based on personal knowledge of the Jordanian economy

¹⁰ Source Laith Al-Qasem, Jordanian consultant, based on personal knowledge of the Jordanian economy

¹¹ Physical review of all commercial companies (using the Companies Controller Website) registered between January 1997 until November 2008, which registered as having "Commercial Agent" as part of their by-laws. http://www.ccd.gov.jo:7777/ccd_gov_jo_2/CompanyInquiry/CompanyByAimAction_ar.do

¹² Similar meanings include representative of foreign manufacturers (fabriques), representative of foreign manufacturers among others.

¹³ Source Laith Al-Qasem, Jordanian consultant, based on reviewing the records of commercial companies registered with the Companies Controller at the Ministry of Industry and Trade

¹⁴ There are roughly 40,000 companies registered with the Amman chamber of commerce (<http://www.ammanchamber.org/misc/about.asp>)

¹⁵ [http://ddp-](http://ddp-ext.worldbank.org/ext/ddpreports/ViewSharedReport?&CF=&REPORT_ID=9147&REQUEST_TYPE=VIEWADVANCED&HF=N/CPProfile.asp&WSP=N)

[ext.worldbank.org/ext/ddpreports/ViewSharedReport?&CF=&REPORT_ID=9147&REQUEST_TYPE=VIEWADVANCED&HF=N/CPProfile.asp&WSP=N](http://ddp-ext.worldbank.org/ext/ddpreports/ViewSharedReport?&CF=&REPORT_ID=9147&REQUEST_TYPE=VIEWADVANCED&HF=N/CPProfile.asp&WSP=N)

¹⁶ [http://ddp-](http://ddp-ext.worldbank.org/ext/ddpreports/ViewSharedReport?&CF=&REPORT_ID=9147&REQUEST_TYPE=VIEWADVANCED&HF=N/CPProfile.asp&WSP=N)

[ext.worldbank.org/ext/ddpreports/ViewSharedReport?&CF=&REPORT_ID=9147&REQUEST_TYPE=VIEWADVANCED&HF=N/CPProfile.asp&WSP=N](http://ddp-ext.worldbank.org/ext/ddpreports/ViewSharedReport?&CF=&REPORT_ID=9147&REQUEST_TYPE=VIEWADVANCED&HF=N/CPProfile.asp&WSP=N)

Table 2: Imports by Type and Percentage of Total Imports

Items	Grand Total	Current Consumer Goods	Durable Goods	Oil and Fuel	Other	Machinery & Transport Equipment	Other Machinery	Other	Misc.
2006	8187725	1384345	716501	1868008	2627915	308913	1133217	3023	145803
%	100	16.9	8.75	22.8	32.1	3.77	13.84	.0037	1.78

Source: Central Bank of Jordan

The level of contribution of commission agents by sector is not well documented. However, a break down of imports by type will indicate where commission agents are likely to play the most dominant role. The largest import is fuel and oil, which constituted 22.8% of imports in 2006¹⁷. The remaining importation categories in 2006 are shown in Table 2 above¹⁸: Therefore, the value of commission agent activities could constitute up to 77.2% of all imports, exclusive of oil and fuel.

2.2 Driving forces affecting the sector

2.2.1 Trends and Implications

Table 3 below depicts current trends in the markets and presents the positive and negative implications of those trends.

Table 3: Trends in the Market and their Implications for the Sub-Sector

Driving Forces	Positive Forces Affecting	Negative Forces Affecting
Technological Development	Increasing requirement for technical knowledge and expertise for many sophisticated products. This can mean increased margins and higher barriers to entry.	Increased investment in capital equipment and training is required. Poor education requires higher on the job and technical training investment. Fewer potential competitors at the cutting edge
	Technology is becoming a product differentiator, requiring increased investment to service the product (Lexus cars, Mercedes Benz, etc.) There are fewer and fewer unsophisticated products in a variety of fields. This can mean increased margins and higher barriers to entry.	Increased investment in capital equipment and training is required. Fewer potential competitors at the cutting edge
Investment Trends	Ability to integrate further forward or backward into the value chain to increase revenues through providing more value added services (logistics, financing, services, inventory, packaging, etc.)	Large retailers and hypermarkets such as Wal-Mart are displacing middle range brands, increasingly leaving only high end brands and commodity brands. Brand development and distribution dominance is driving the prices charged by manufacturers in low barrier to entry markets (consumer goods, etc.) down. ¹⁹
	Increasing number of brands being developed creates opportunities for commission agents.	Increased buyer dominated value chains dependant on companies which market, brand and sometimes design while outsourcing production ²⁰ . This increases brand development and

¹⁷ http://www.cbj.gov.jo/uploads/si_23.xls

¹⁸ http://www.cbj.gov.jo/uploads/si_23.xls

¹⁹ This holds true for Jordan, as Jordanian retail and wholesale companies are increasingly international or regional brands, who have achieved economies of scale in procurement thereby creating downward pressures on procurement prices. Moreover, Jordanian companies, whether manufacturers or agents, wholesalers or retailers cannot compete against consolidated largescale procurement.

²⁰ Trade Policy, Retail Markets and Value Chain Restructuring in the EU Clothing Market, Author Sally Baden, Poverty Research Unit at Sussex, University of Sussex, June 2002

Driving Forces	Positive Forces Affecting	Negative Forces Affecting
		competition reducing the potential lifetime of the ability to extract rents.
	Ability to jump across sectors	Increased number of brands requires increased advertising and promotional investment on behalf of agents.
	Buyer dominated value chains may allow business people to seek out agencies and/or representations with the manufacturer, by passing the hypermarket and/or brand developer.	Brands desirability may be short lived as the market gets flooded with new brands.
		Increasing grey market competition across national borders (cars, trucks, etc.) making agencies less profitable.
Innovation		E-Commerce is facilitating a move away from exclusive agencies, allowing for more B2C and B2B purchases to be executed directly. Buyers may trust e-commerce more than local agents.
Costing Structure		Large retailers and hypermarkets such as Walmart are focusing on brand development and distribution dominance. This is driving manufacturing costs in low barrier to entry markets (consumer goods, etc.) down. Moreover, large retailers are trying to off load as much of the value chain on manufacturers as possible.
Levels of Productivity	The emergence of parallel markets has decreased the importance of the agent in the market; as result those who compete must increase productivity to remain viable	
Trends in the Market	Buyer dominated value chains for fashionable and trendy items. Supplier dominated value chains for new technological competitive requirements	

Overall trends in the sub-sector

Globalization is placing pressure on individual country commission agents. Large international retailers and hypermarkets (Walmart, Carrefour, etc.) are able to displace national agents by procuring large volumes internationally and selling them in local markets at price points which local agents cannot achieve due to small purchase volumes. This reduces the ability of smaller commission agents from extracting rents.

Moreover, increased international competition has amplified the complexity of commercial agency. Increased competition requires increased differentiation, which requires producers to increase innovation to maintain competitiveness. Increased innovation results in increased complexity which requires higher levels of investment in infrastructure and technical training. This in turn limits commercial agents to individuals and companies with the financial wherewithal to make such investments.

Additionally, the increased integration between retailers, wholesalers, distributors and manufacturers has reduced the opportunity for traditional commission agent work, where rents can be extracted, but increased short term opportunities to leverage brands which are in vogue albeit briefly. These short term opportunities have to be constantly identified and exploited before the larger and slower retailers/distributors catch on dominate the opportunity.

2.2.2 Value Chain Mapping for Commission Agents

Value chain opportunities

Commission agents can improve the revenues streams by increasing their involvement in delivering the final product to market. In Michael Porter's traditional value chain analysis, there are five separate links where value can be added (In-Bound Logistics, Operations, Out-Bound Logistics, Marketing and Sales, and Service). Traditionally commission agents only broker a sale and thus are only involved in the Marketing and Sales link. However, there are opportunities for agents to do more as illustrated in the table below. Involvement in any of the five links within the value chain provides the commission agent with the opportunity to increase their individual added value and improve their bargaining power in the individual markets they serve. Exploiting such opportunities increase the profitability of the commission agent and help create economic value and employment well beyond that of simple sales brokering.

Table 4: Opportunities in Primary Value Chain Activities

In-Bound Logistics	Operations	Outbound Logistics	Marketing and Sales	Service
Importation of food ingredients as required by the franchisor (MacDonalds, Kentucky Fried Chicken, Pizza Hut, etc.)	Training of operational staff to make food items in accordance with franchise standards. Actual preparation of food.	Serving of food	Marketing, advertising and promotional campaigns.	
		Opportunity to manage logistics from exporting country into Jordan to increase local value added.	Retailing products	Providing product training
Opportunity to hold inventory for manufacturers, wholesalers and retailers		Opportunity to hold inventory for Jordanian buyers or the distribution channel (spare parts, entire product)	Wholesaling products	Providing warranty service and follow up
		Taking and managing local orders (consolidation of demand)	Executing local advertising and promotion campaigns	Providing maintenance
			Developing local demand with retailers, wholesalers, government	Troubleshooting and performing diagnostics
		Possibly some final finishing on imported products.	Demonstrating products and services	Training technicians within the channels
	None		Interfacing with clients and managing relationships	Possibly some preliminary finishing before export
			Developing distribution channels	Possible packaging and bagging of materials
			Developing B2B demand	Possible assembly of components into the final product.

Thus based on the identified areas of additional activities in the above table, traditional commission agents can greatly improve their bargaining power in the market, improve their margins and generate additional employment by taking on more activities than just sales brokering. Moreover, commission agents can further increase their negotiating power and sales margins by increasing their involvement in providing the support functions (procurement, technology development, human resource management and firm infrastructure) required to enhance or support their sales. These support functions help increase sales volume, transaction efficiency, as well as leverage their location within the value chain such as the provision of finance and seeds to farmers whose produce a commission agents sells. Secondary value chain opportunities are presented in Table 5 below.

Table 5: Opportunities in Secondary Value Chain Operations

Support Functions	Opportunities
Procurement	<ul style="list-style-type: none"> • Opportunities to supply raw or semi finished materials to manufacturers
Technology development	<ul style="list-style-type: none"> • Possibly develop inventory and ordering technology to better serve wholesalers, retailers and direct clients. • Agents have the opportunity to introduce new technologies to market to improve existing firm's competitiveness.
Human Resource Management	<ul style="list-style-type: none"> • Training of sales people and technicians to help create sales, install and demonstrate products and service products sold. • Training of users of new products purchased through agents.
Firm Infrastructure	<ul style="list-style-type: none"> • Opportunity to provide finance and seeds to farmers to produce fruits and vegetables for which they are agents. • Provide registration of trademarks, patents, and other IPR • Opening L/Cs to facilitate importation • Providing technical facilities for maintenance and assembly of components • Provide technical facilities to train new product owners (and/or retailers and wholesalers) on the use of the product

2.3 Identification of stakeholders

A variety of different stakeholders can be identified to increase the volume of commission based trade in Jordan. These stakeholders exist along the commission agent's potential value chain. Thus, logistics companies can move up the value chain by representing manufacturers and distributors, and create additional revenue by creating and fulfilling new demand to provide logistics for imported or exported products. Moreover, traditional commission agents who provide marketing and sales facilitation can move down the value chain to increase their level of added value. As such, the following stakeholder categories, according to general areas of expertise can be tasked as a working group to increase the level of Jordanian added value along the international trade value chain. These categories are described in the list below:

1. Logistics companies can provide both in-bound and out-bound services to commission agents, and or they can develop commercial relations with manufacturers and/or distributors and move product to local and regional markets as well. Logistics companies could also provide local and regional warehousing, cold storage etc., which would also add value to a distribution and commission based value chain.

2. Generic technical service providers such as maintenance and installation could facilitate increased trade by providing smaller commission agents with the ability to provide adequate to excellent after sale service through cooperative agreements. Moreover, service companies (electromechanical, electronic, building, etc.) could also integrate backwards to obtain agencies and thus provide and maintain products locally and regionally.
3. Manufacturers could integrate backward to obtain agencies for unfinished or semi finished goods which are used within their own manufacturing processes (example: compressors or copper tubing in air conditioners which are part of the production process). In addition to facilitating their own manufacturing, they could also retail these products to other users/manufacturers as well.
4. Finance companies (banks, finance houses, etc.) could help well established commission agents of local producers (such as farm produce wholesalers) to provide finance to their local suppliers thereby increasing local revenues and increasing potential exports. This could help facilitate the creation of an export industry on a commission basis for local industry that is currently incapable of facilitating export sales individually in a consistent, replicable manner.
5. Large scale retailers or wholesalers (local, regional or international) could facilitate increased sale of Jordanian products in local and export markets if appropriate systems and controls are developed and communicated to protect the rights of suppliers (manufacturers, producers, etc.).

3.0 General Business Environment

3.1 General Business Environment

Jordan ranks 101 out of 181 economies in the World Bank 2009 Doing Business Survey. Therefore, more than 50% of the global economies surveyed are easier to do business in than Jordan. Moreover, Jordan's global rank has decreased in past years (i.e. it has become less easy to do business in relative terms) as more and more countries aggressively pursue reforms which affect their individual business environments.

In the Middle East, Jordan is the 11th easiest country to do business in. According to the World Bank there are 10 criteria which are measured. Jordan's rankings for 2008 and 2009 are shown below²¹:

Table 6: Jordan's Rank in Doing Business

Ease of...	Doing Business 2009 Rank	Doing Business 2008 Rank	Change in Rank
Doing Business	101	94	-7
Starting a Business	131	137	+6
Dealing with Construction Permits	74	72	-2
Employing Workers	52	51	-1
Registering Property	115	110	-5
Getting Credit	123	116	-7
Protecting Investors	113	110	-3
Paying Taxes	22	21	-1
Trading Across Borders	74	64	-10
Enforcing Contracts	128	127	-1
Closing a Business	93	90	-3

Source: www.doingbusiness.org

²¹ <http://www.doingbusiness.org/ExploreEconomies/?economyid=99>

3.2 Effect of the general environment for business on the development of the sector and investment

Several individuals involved in the sector under review were surveyed for this study with regard to the business environment in which commission agents operate. Most of those interviewed stated that the environment was a hindrance to investment in sector and subsequent growth. Details of the stakeholder comments are stated in the Table 7 below:

Although Jordanian law is as competitive as many regional economies with regard to attracting foreign investment to Jordan, the application of the law and the environment in which foreigners operate is not ostensibly transparent and interpretations and applications of the laws and regulations are inconsistent.²² There is no agreed upon underlying philosophy or policy which guides the interpretation of the law. Moreover, this lack of underlying policy and/or philosophy helps facilitate short term, almost random changes among a myriad of institutions involved in managing the business environment (Greater Amman Municipality, Aqaba Port, Land Transport from Aqaba, etc.) which impact the day to day operations of business. Many foreign companies who initially have chosen to invest in Jordan have been negatively surprised by the frequent and inconsistent legislative and regulatory changes and changes in interpretation they have to deal with regularly.

²² Laith Al-Qasem, Jordanian Consultant, personal knowledge of local industry

Table 7: Stakeholder Evaluation of the Business Environment

Individual	Mr. Mohammad Amawi	Mr. Ahmed Al-Ousaily	Mr. Christi Janho	Mr. Abdullah Darwish
Organization	Companies Control Department	Talal Abu Ghazaleh	Jordan Tractor (Caterpillar Agents)	Americana Group
Position	Deputy Manager	Legal Department Manager	Chief Executive	Supply Chain Manager
Comments on the Business Environment	High bureaucracy level in companies registration	Small market size is unable to absorb larger foreign companies.	Jordan Tractor is the Caterpillar agent in Jordan. It is a 100% Jordanian owned entity.	Company is 70% Kuwaiti owned. The company is a sub-agent of The Kuwaiti Americana Group, the regional agents for a variety of US based franchise businesses (Burger King, Pizza Hut, Hardees, etc.)
	Jordanian labour force is not skilled and trained to work in foreign companies which require high quality, skilled labour.	Modest levels of disposable income and the small market size make Jordan unattractive to larger foreign entities that operate on economies of scale (i.e. volume). Thus, foreign investment in a small poor market is not justified.	Jordan tractor has no limits to sell outside of Jordan. A local sale is made then the product is exported. No cross border restrictions.	Company has a 20 year authorization with the government which can be renewed based on licensee interests. This restriction is for the majority foreign ownership.
	Long procedures to start operate and make foreign companies ready to run their businesses because it takes many months to get offices, infrastructure, and government approvals from several ministries.	Jordanian commercial law does not differentiate between three categories agencies, franchisees, licensees. All are treated as agents.	Grey markets exist, where caterpillar products can be imported and sold locally. No cross border restrictions	Americana has 34 branches in Jordan (Burger King, Pizza Hut, etc.) Americana has refused to expand its branches due to: a. high tariff levels (30%) b. high sales tax (16%) c. outdoor sign (billboard) fees paid to the Amman Municipality d. Food inspection fees (Jordan FDA) e. Storage fees at Aqaba port f. Transportation fees from Aqaba to Amman (a monopoly)
	Most foreign investors are not interested in establishing their own businesses unless they deal with foreign aid projects (USAID). ²³	Government restrictions on foreign ownerships in agencies to protect local businesses and business people.	Government tariffs on spare parts are perceived as high	American has suppliers in the USA and in the Arab world, where customs and tax duty are supposed to be zero according to the free trade agreements which Jordan has signed. Tariffs are applied according to the agreement types.
		Government is still weak on the protection of intellectual property such as trademarks and brand names. This may negatively affect investment in the market		The company has 1200 employees in Jordan. Most of the administrative staff (30 in total) are Egyptian and have been trained on Americana internal management policies and procedures. The Ministry of Labour has been difficult as to Americana's work permits for Egyptians stating that local Jordanians can fill these positions. This has made running an international operation in accordance with Kuwaiti internal policies and procedures difficult. This has been perceived as a restriction by the Kuwaiti investors.

²³ According to Laith Al-Qasem, a commission agent, this comment reflects a lack of knowledge about the market; the management systems of the companies "do not reflect the Jordanian reality and profit margins are comparatively weak."

4.0 Legislative and Regulatory Environment

Legislative and Regulatory Situation:

4.1 Measures related to domestic regulation

Jordanian commercial law (By-Law No. 54 for The Year 2000, Issued Under Provisions of Article 24 of the Investment Promotion Law for 1995²⁴) protects local ownership of trading companies. Foreigners cannot directly own more than 50% of the registered capital of a trading company (see Article 3, b-10). Because the activities of commission agents represent a broad spectrum, the following restrictions affect the sub-sector, dependent on the nature of the agency.

Article 3²⁵

The non-Jordanian investor can own (share-hold) no more than 50% of the capital of any project in the following sectors and activities:

a) The following trade activities (commission agencies can apply to any of the below sub-categories):

1. Purchasing goods and other moveable assets for rental purposes (either as a lessor or as a lessee to rent them again) including machines, equipment, transportation vehicles, other transportation equipment, rental cars, planes (without their crews), and ships. However, financial leasing executed by banks, financial companies and insurance companies shall be excluded from this stipulation.
2. Purchasing goods and other financial moveable assets to be sold for profit.
3. Retail and wholesale trade.
4. Importation and exportation excluding importation to the border entries into the Kingdom.
5. Distribution of goods and services in the Kingdom including audio and visual works.
6. Material supply excluding foodstuff not supplied by restaurants, café, and Cafeterias without prejudice to the provisions of Clause (12)- Paragraph (b) of this Article.

b) The following services (commission agencies can apply to any of the below sub-categories, because they are services and the 50% maximum limit applies on the individual service or the representation of the service):

1. Engineering services including all divisions of engineering, urban planning, and landscape architecture engineering.
2. Construction contracts including building and related engineering services.
3. Technical examination services related to soil testing and other chemical tests for building and construction purposes.
4. Maintenance of road transportation vehicles.
5. Maintenance of transmission or radio and television broadcasting equipment.
6. Photography photocopying excluding cinematography and television photography.
7. Recruitment and labor force supply.
8. Brokerage excluding financial brokerage and intermediary transactions done by banks, financial companies and financial service companies.
9. Advertising services including advertising agencies and bureaus.
10. **Services of commercial agents and brokers and insurance brokers.**

²⁴ <http://www.mit.gov.jo/Portals/0/investment%20regulation.pdf>

²⁵ <http://www.mit.gov.jo/Portals/0/investment%20regulation.pdf>

11. Money exchange transactions excluding those provided by banks and financial companies.
 12. Services of restaurants, café, and cafeterias excluding meal service at hotels and motels and on board ships and trains.
 13. Travel agencies and site-seeing tour and tourist trips organizers.
- c) The following transportation services, each of which could represent an individual commercial agency and therefore have business/financial value:
1. Marine transportation and ancillary services, including:
 - Passenger and cargo transportation, other than transportation using ships owned by non-Jordanians
 - Marine inspection
 - Services of marine shipping agents
 - Services of navigation agents
 - Ship catering
 - Intermediary transactions of chartered ships; chartering, purchasing and selling
 - Ship management
 2. Air transportation services, including:
 - Handling
 - Inspection
 - Loading and unloading
 - Cargo transportation agencies
 - Air freight agents
 - Services of stores and warehouses

The following shall be excluded from air transportation:

 - Plane engine renovation
 - Investment in duty-free shops at airports
 - Simulation Aviation Training
 - Computer reservation systems
 3. Railway transportation services, including:
 - Handling of goods
 - Inspection
 - Loading and unloading
 - Services of stores and warehouses
 - Services of cargo transportation agencies.
 - Services of freight agents.

The following shall be excluded from the services of railway transportation:

 - Passenger and cargo transportation
 - Trailing services
 - Ancillary services of railway transportation such as stations
 4. Road transportation services, including:
 - Specialized tourist transportation services
 - Ancillary services including bus stations and stops, sub-way operation services, bridges and highway services.
 - Services related to road transportation including goods' handling, stores, warehouses, goods' transportation agencies, inspection, loading and unloading, and services of shipping agents.

d) Clearance if related to any of the services stipulated in Paragraph (c) of this Article.

Agencies have to be registered with the Ministry of Industry and Trade as per stipulations in the law.

Article 4²⁶:

A register shall be organized at the Ministry under the supervision of the registrar for recording the names of the commercial agents in the Kingdom, and the main information relating to their agencies, in addition to another register for recording the names of the commercial mediators .

Article 5²⁷:

No person may practice the business of commercial agency or commercial mediation in the Kingdom, unless he is recorded as the case may be, in the commercial agents register or the commercial mediators register.

Article 10²⁸:

a) None of the parties to an agency not registered in accordance with the provisions of this Law, shall enjoy any benefits granted by the Law to the principal or commercial agent. However, a third party may institute a lawsuit, on the basis of not registered agency, if its actual existence is proved.

b) A lawsuit instituted by a person, who practices commercial mediation business, against any of the parties to a contract where he was a mediator for its conclusion, shall be heard only if he was registered as a commercial mediator.

Registration signifies ownership of the agency, enabling enforcement of the agency agreement in case of infringement and in favour of the owner. Agents must register their agency agreements with the Ministry of Industry and Trade. If there is no registration then agents forfeit/compromise the ability of the ministry to enforce the specific agency agreement.

4.2 Effect of measures on international participation in the market

Trading companies are defined as those companies which engage in retail and wholesale activities. Agencies can only be held by companies with “trading” stipulated in their articles of incorporation. Industrial companies can be wholly owned by foreign investors.

The rationale for allowing foreign investors to hold 100% of the stock in an industrial investment is one related to security and fraud prevention. Foreign investors are not known by banks or clients. A factory cannot be easily disassembled and moved. This provides a higher level of security to creditors and clients than a trading company which has easily moveable and more liquid assets (inventory).²⁹ Foreign investors are allowed to own 50% of a trading company with the local investor providing the necessary security against fraud.

²⁶ <http://www.mit.gov.jo/Portals/0/investment%20regulation.pdf>

²⁷ <http://www.mit.gov.jo/Portals/0/investment%20regulation.pdf>

²⁸ <http://www.mit.gov.jo/Portals/0/investment%20regulation.pdf>

²⁹ Interview with Dr. Ghaleb Shneikat, a lawyer and partner at Arabian Business Consultants for Development (ABCD), Saturday November 8, 2008

With regards to agencies, foreign investors can only own 49% of an agency. The law, Law No. 28 for the year 2001 Commercial Agents and Mediators Law,³⁰ was designed as a tie breaker to allow Jordanian business people to have majority ownership and control over the agency should there be a dispute.

Article 3³¹:

The commercial agent or commercial mediator must be a Jordanian national, if he is a natural person, or a Jordanian company registered in accordance with the provisions of this Law .

Article 13³²:

A foreign company or establishment registered to operate in the Kingdom may not practice in addition to its activities, the representation of foreign companies incorporated abroad under a commercial agency. This prohibition however shall not include the commercial agencies which were registered in their name for this purpose prior to the effectiveness (implementation) of the provisions of this Law.

4.3 Measures related to professional qualification

There are no legislative or regulatory edicts that pertain to the professional qualification of an agent. The agency agreement is reached between the individual seeking to be the agent and the enterprise granting the agency.

5.0 GATS/Restrictiveness Measures

5.1 GATS commitments on the sector/sub sector

Jordan has legislative and administrative restrictions in Jordan according to the WTO/GATS four modes of supply:

- 1) Cross-Border Supply,
- 2) Consumption Abroad,
- 3) Commercial Presence and
- 4) Presence of Natural Persons.

These restrictions are stipulated in Jordanian law and even affect the free trade agreements which Jordan has signed with a variety of countries. If, in future, Jordan's legislation permits non-Jordanian investors to own a greater percentage of equity with respect to projects or an economic activity in this sector, such liberalization will immediately be bound in Jordan's schedule of specific commitments³³.

³⁰ <http://www.mit.gov.jo/portals/0/tabid/505/commercial%20agents%20law.aspx>

³¹ <http://www.mit.gov.jo/portals/0/tabid/505/commercial%20agents%20law.aspx>

³² <http://www.mit.gov.jo/portals/0/tabid/505/commercial%20agents%20law.aspx>

³³ http://www.ustr.gov/assets/Trade_Agreements/Bilateral/Jordan/Annexes/asset_upload_file543_8460.pdf

Table 8: GATS/WTO Commitments Commission Agents

Sector/ Sub-sector		
COMMISSION AGENTS	Restrictions on Market Access ³⁴	Restrictions on National Treatment ³⁵
1) Cross-Border Supply,	Commercial presence is required.	No restrictions
2) Consumption Abroad,	No restrictions	No restrictions
3) Commercial Presence	<p>Commercial presence is restricted to natural Jordanian persons or partnerships/companies with at least 50% ownership by Jordanians, Jordanian companies and at least 50% of the boards of directors are Jordanian.</p> <p>The restriction on the percentage of foreign ownership can be surmounted by a government cabinet authorization. There are specific cases with more than 50% foreign ownership.</p>	<p>No restrictions, however foreign investments may not be less than JD 50,000. This does not apply to investments in publicly traded companies.</p> <p>Purchase of land must be related to approved business activity. Companies with majority foreign ownership or non-Jordanian firms must be approved by the cabinet.</p> <p>Lease of real estate for more than three years by companies with majority foreign ownership or non-Jordanian is subject to cabinet approval.</p> <p>Authorization for purchase or lease of state owned lands is restricted to Jordanian nationals.</p>
4) Presence of Natural Persons.	<p>4) No restrictions except for measures concerning the entry and temporary stay of a natural person who falls in one of the following categories:</p> <p><u>Business visitors</u> A natural person who stays in Jordan without acquiring remuneration from within Jordan and without engaging in making direct sales to the general public or supplying services, for the purposes of participating in business meetings, business contacts including negotiations for the sale of services and/or other similar activities including those to prepare for establishing a commercial presence in Jordan. Entry and stay shall be for a period of 90 days.</p> <p><u>Intra-Corporate Transferees</u> Natural persons employed by a juridical entity of another member for a period of not less than one year and who seek temporary stay in order to render services to:</p> <p>(i) the same juridical entity which is engaged in substantive business operation in Jordan or</p> <p>(ii) a juridical entity constituted in Jordan and engaged in substantive business operation in Jordan which is owned by or controlled by or affiliated with the aforementioned juridical entity.</p> <p><u>Executives</u> Natural persons who are senior employees of a juridical entity, who are responsible for the</p>	4) No restrictions, except for measures affecting the categories referred to under market access.

³⁴ <http://www.mit.gov.jo/portals/0/tabid/505/commercial%20agents%20law.aspx>

³⁵ <http://www.mit.gov.jo/portals/0/tabid/505/commercial%20agents%20law.aspx>

	<p>entire or a substantial part of the entity's operations in Jordan, receiving general supervision or direction principally from higher level executives, the board of directors or stock-holders of the business.</p> <p><u>Managers</u> Natural persons who direct the juridical entity, or department or sub-division of the juridical entity, supervise and control the work of supervisory, professional or managerial employees, have the authority to hire and fire or recommend hiring, firing, or other personnel actions and exercise discretionary authority over day-to-day operations at a senior level.</p> <p><u>Specialists</u> Natural persons employed by a juridical entity and possess knowledge at an advanced level of expertise and proprietary knowledge of a juridical entity product, service, research, equipment, techniques, or management.</p> <p><u>Professionals</u> Natural persons seeking to engage, as part of services contract granted by a juridical entity engaged in substantive business in Jordan and obtained by a juridical entity of another Member, (other than entities providing services as defined by CPC 872) which has no commercial presence in Jordan in the activity at a professional level. The person must possess the necessary academic credentials and professional qualifications, which have been duly recognized, where appropriate by the professional association in Jordan. The commitment relates only to the service activity which is the subject of the contract.</p> <p>Work permits for all categories are granted on the basis of an economic needs test, i.e. to candidates whose qualifications are not available in Jordanians or those who are seeking work in fields in which Jordanians are in short supply.</p>	
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5.2 Analysis of legislative and administrative restrictions

Jordan is a signatory to the WTO which should essentially facilitate free market policies in Jordan and assist in attracting foreign direct investment. Despite signing the WTO and a host of other free trade agreements, foreign investment in Jordan is limited by the application of a variety of commercial laws. The outcome from the application of existing laws includes:

- Non-Jordanians cannot own more than 50% of a commercial (non-industrial, non-manufacturing company) without authorization from the council of ministers. Foreigners are allowed 100% ownership of manufacturing and industrial companies. This restricts foreigners from becoming commission agents in Jordan. There are a few exceptions where foreign investors have greater than 50% ownership and this is because the foreign partner has taken a regional (Middle East) agency³⁶.

³⁶ Americana Group is 70% Kuwaiti owned in Jordan because Americana has the regional agency for companies such as Burger King, Pizza Hut, etc.

- A minimum capital requirement of JD50,000 (US\$70,000) is set for foreign investors. This requirement does not apply to participation in public shareholding companies.
- An Operating Foreign Company (Branch Office) is registered as such for purposes of the contract and for the duration thereof. If the company obtains other contracts in Jordan, then the same registration will be extended so as to cover such new contracts. If no new contracts are obtained by the company, then the branch office should be closed and liquidated upon the completion of the contract in respect of which the registration was affected.
- The Companies Law does not elaborate on the size or type of foreign company which may register as a regional office in conformity therewith. It is now the policy of the Ministry of Industry and Trade, however, to restrict this facility only to substantial and large companies of international standing in their fields.
- In all procedures pertaining to company registration, clearance of the company in question from the Ministry of Interior is required. The Ministry delegates this task to the Jordanian General Security Forces and the Intelligence Services of Jordan. While this may seem like a straightforward procedure, it may take a long time to process, as do security checks and clearances across the world.
- Non-citizens are not permitted by law to join unions, though these workers enjoy the same benefits and protections as union members. Labor unions, which serve primarily as intermediaries between workers and the Ministry of Labor, may engage in collective bargaining on behalf of workers.

6.0 Benchmarking

Distribution services constitute a foundation service for deeper integration between economies. Distribution services are mainly retailing and wholesaling, but also include activities such as franchising and commission agent services. Distribution services are a horizontal activity that can cut across all sectors and is considered the final stage of the value chain.

Without access to distribution services, foreign companies have difficulties in selling their products and services to markets. Inefficiencies can constitute an important non-tariff barrier in a wide range of industries and countries. Barriers to trade include restrictions regarding the right of establishment, zoning laws for the construction of retail outlets, limitations on ownership and acquisition of land by foreigners and restrictive rules concerning the distribution and sales of specific products (product and service exclusion). Cross border distribution services are mainly through mode 3 (commercial presence) and to a lesser extent mode 1 (cross border supply).

Cross border liberalization of distribution services creates greater competition, facilitates substantial investments and market consolidation, all which improves economic efficiency. Consolidation benefits from scale economies bring greater choice and lower prices to consumers. Alternatively, consolidation may destroy the myriad of small shops that exist in developing countries. There is a strong case for the liberalization of wholesaling and commission agent services where economies of scale can be large and the affect on small shops is small.

6.1 Benchmarking against international standards

Generally speaking the Jordanian commercial law is highly protective of Jordanian trade businesses. Commission agents fall into this category. In industrialized countries distribution tends to be highly concentrated and competitive due to achievable scale economies. In developing countries barriers to market access remain common. In particular the retail segment tends to be fragmented. The fragmentation in developing countries is due considerably to the fact that wealth creation is to a great extent based on trade, not on industry. In general, Jordanian industry is weak or non-existent, therefore the role of commission agents as a means of creating exports and external sales is not well appreciated.

An indication of the dominance of trade in Jordan is the number of companies registered at the Jordan Chamber of Commerce (40,000+ trade based companies) versus the number of manufacturing companies registered at the Jordan Chamber of Industry (12,928). Therefore, Jordanian companies wish to protect their import based trade interests while developed countries want to create export based opportunities for their manufacturing and service provision interests. As such developing countries such as the EU are liberalizing their trade in services sector including commission agents. Moreover, developing countries do not have issues with direct investments in trade, but they do control the movement of natural persons which hinders the movement of individuals (not applicable to EU country nationals).

6.2 Benchmarking the competition from neighbouring countries

The commission agent sub-sector in Jordan is benchmarked regionally in Table 9 below. Note that generally speaking, Jordanian commercial law is competitive with regional commercial laws with regards to commercial agencies. However, as with all the regional commercial laws regarding commercial agencies, there is great leeway in which the law is interpreted and applied. Thus, although a first reading of the law may offer confidence to international investors regarding the intent of the law, application of the law to a great degree is based on the interpretation of the bureaucrats handling individual issues, and the challenges being faced by government (employment, taxation, etc.).

Table 9: Regional Benchmarking

Issue	Jordan	Regional
Ownership of agencies	<p>Commission agents must be Jordanian nationals or Jordanian companies with at least 50% Jordanian ownership and board representation.</p> <p>Foreign nationals can own 49% of an agency.³⁷</p> <p>Agencies must be officially registered at the Ministry of Industry and Trade under the supervision of the registrar for recording the names of the commercial agents in the Kingdom, and the main information relating to their agencies, in addition to another register for recording the names of the commercial mediators .</p> <p>No person may practice the business of commercial agency or commercial mediation in the Kingdom, unless he is recorded as the case may be, in the commercial agents register or the commercial mediators register.</p>	<p>The Saudi Commercial Agency Regulations were promulgated by Royal Decree No. 11 dated 20 Safar 1382 H. (July 1962) which stipulates that³⁸:</p> <ul style="list-style-type: none"> ▪ Non-Saudis shall not be permitted to act as commercial agents in Saudi Arabia. ▪ No person may act as a commercial agent unless his name has been entered in the register maintained by the Ministry of Commerce <p>Kuwaiti Law No. 36 of 1964 of the regulation of commercial agencies and the Kuwaiti commercial code, Articles 260-296 stipulate that non-Kuwaitis may not act as commercial agents in Kuwait³⁹.</p> <p>In Egypt there are four categories of agents⁴⁰:</p> <ul style="list-style-type: none"> ▪ Commission agents who are traders and conclude business transaction in their own name but for the account of third parties, ▪ Employed agents who are employed by their principals ▪ Commercial brokers who broker transactions between parties for a commission ▪ Commercial agents (Al-Wakil Al-Tijari) who regularly brokers business on behalf of a company or concludes transaction sin its name. <p>The new Egyptian Commercial code introduces several restrictive rules such as the rights of compensation and a requirement for exclusive jurisdiction to be conferred on Egyptian courts. These new rules apply only to contract agents, not to agents who merely negotiate contracts⁴¹.</p> <p>Only a registered trader can register as a commercial agent with the commercial register by the General Organization of Export and Import. The activity of agent is restricted to Egyptian nationals by birth or those who have acquired nationality for at least ten years⁴².</p> <p>If a commercial agent is a legal entity, the requirements of article 2 of Law 120/1982 must be observed requiring that⁴³:</p> <ul style="list-style-type: none"> ▪ The legal entity's domicile must be Egypt. ▪ The company's objectives must include "commercial agency' ▪ All of its partners/shareholders and managers must be Egyptian (for at least 10 years of nationalized) ▪ The personally liable partners and managers must satisfy the requirements as individuals who

³⁷ <http://www.mit.gov.jo/portals/0/tabid/505/commercial%20agents%20law.aspx>

³⁸ http://www.saudia-online.com/commercial_registration_system.html

³⁹ http://www.mideastlaw.com/middle_eastern_laws_Kuwait.html

⁴⁰ Euro Info Centre, [Commercial Agency and Distribution in Egypt](#)

⁴¹ Euro Info Centre, [Commercial Agency and Distribution in Egypt](#)

⁴² Euro Info Centre, [Commercial Agency and Distribution in Egypt](#)

⁴³ Euro Info Centre, [Commercial Agency and Distribution in Egypt](#)

Issue	Jordan	Regional
		<p>wish to be registered (i.e. they should not have been convicted of a felony or other serious offence relating to import, export or taxation). Therefore a firm with one or more foreign shareholders cannot be registered in the register of commercial agencies. The same applies to an Egyptian company which is managed by non-Egyptians⁴⁴.</p>
Cross-Border Supply	Commercial presence is required.	
Consumption Abroad	No restrictions	No restrictions
Commercial Presence	<p>Commercial presence is restricted to natural Jordanian persons or partnerships/companies with at least 50% ownership by Jordanians, Jordanian companies and at least 50% of the boards of directors are Jordanian.</p> <p>The restriction on the percentage of foreign ownership can be surmounted by a government cabinet authorization. There are specific cases with more than 50% foreign ownership.</p>	<p>In Tunisia, natural or legal entities who do not possess Tunisian nationality may engage in commercial activity only under conditions established by the relevant Tunisian legislation (Decree Law No. 61-14 of 30 August 1961)⁴⁵.</p> <p>Foreign nationals or legal entities wishing engage in a trading activity in Tunisia must be in possession of a trader's license. Legal entities possess Tunisian nationality when the following four conditions are met⁴⁶:</p> <ul style="list-style-type: none"> ▪ Are established in accordance with Tunisian laws and have their registered place of business as Tunisia. ▪ At least 50% of their share capital is held by Tunisian citizens of legal entities. ▪ The majority of their board of directors, or management, or supervisory board must be Tunisian nationals. ▪ The chairman, managing director or management must be of Tunisian nationality. <p>In Tunisia, a traders license for foreigners can be granted if⁴⁷,</p> <ul style="list-style-type: none"> ▪ The foreigners spouse is a Tunisian national ▪ When the foreigner has been a resident in Tunisia for several years ▪ When the proposed activity will help generate jobs, technology transfer, promote exports in the service sector <p>Investments in services other than financial services are not limited in Tunisia⁴⁸</p>

⁴⁴ Euro Info Centre, Commercial Agency and Distribution in Egypt

⁴⁵ <http://tradeinservices.mofcom.gov.cn/en/f/2008-06-13/48319.shtml>

⁴⁶ <http://tradeinservices.mofcom.gov.cn/en/f/2008-06-13/48319.shtml>

⁴⁷ <http://tradeinservices.mofcom.gov.cn/en/f/2008-06-13/48319.shtml>

⁴⁸ <http://tradeinservices.mofcom.gov.cn/en/f/2008-06-13/48319.shtml>

Issue	Jordan	Regional
		<p>Kuwaiti Law permits foreign persons or entities to establish a permanent presence in Kuwait by forming and investing in the following Kuwaiti companies⁴⁹:</p> <ul style="list-style-type: none"> ▪ Limited liability companies, where a Kuwaiti must own 51% of the shareholding. ▪ Closed joint stock company, foreigners can own up to 49% of the shares after obtaining the approval of the concerned authorities. <p>In Egypt, a foreign company can establish a direct presence in Egypt through a representative office, branch office, joint stock company or limited liability company⁵⁰.</p> <ul style="list-style-type: none"> ▪ Branch offices can be established to fulfill specific contracts. It cannot engage in general trading. Branch offices have no separate legal existence from the parent company. ▪ Representative offices may be registered under company law No. 159/1981 or commercial agency law No. 120/1982 to engage in business development. The representative office is not able to sign commercial contracts and is funded by the parent company. The registration of scientific and consultative offices only occurs if a commercial agent has been appointed⁵¹.
Presence of Natural Persons.	<p>4) No restrictions except for measures concerning the entry and temporary stay of a natural person who falls in one of the following categories:</p> <p><u>Business visitors</u></p> <p><u>Intra-Corporate Transferees</u></p> <p><u>Executives</u></p> <p><u>Managers</u></p> <p><u>Specialists</u></p> <p><u>Professionals</u></p>	<p>In Tunisia, Unbound, except in the following cases: enterprises which are wholly export oriented may recruit four managerial and supervisory staff of foreign nationality pursuant to the relevant Tunisian legislation⁵².</p>

⁴⁹ http://www.mideastlaw.com/middle_eastern_laws_Kuwait.html

⁵⁰ https://www.uktradeinvest.gov.uk/ukti/appmanager/ukti/countries?_nfpb=true&portlet_3...

⁵¹ https://www.uktradeinvest.gov.uk/ukti/appmanager/ukti/countries?_nfpb=true&portlet_3...

⁵² <http://tradeinservices.mofcom.gov.cn/en/f/2008-06-13/48319.shtml>

Issue	Jordan	Regional
	<p>Natural persons seeking to engage, as part of services contract granted by a juridical entity engaged in substantive business in Jordan and obtained by a juridical entity of another Member, (other than entities providing services as defined by CPC 872) which has no commercial presence in Jordan in the activity at a professional level. The person must possess the necessary academic credentials and professional qualifications, which have been duly recognized, where appropriate by the professional association in Jordan. The commitment relates only to the service activity which is the subject of the contract.</p> <p>Work permits for all categories are granted on the basis of an economic needs test, i.e. to candidates whose qualifications are not available in Jordanians or those who are seeking work in fields in which Jordanians are in short supply.</p>	

6.2.1 Competitive strengths

Services are the most dynamic sector of the economy. A rapidly expanding services sector contributes to economic growth and job creation more than any other sector. The services sector accounts for approximately 75% of the GDP of the EU⁵³. Trade in services is a prerequisite for economic performance. Producers and exporters of products and services would not be competitive without access to efficient distribution services including commission agents. Moreover, distribution services, such as commission agents are necessary for exporters and producers in developing countries to leverage their economic strength.

Distribution services in developing countries are increasingly benefiting from economies of scale as can be seen through the creation and increasing dominance of large scale retailers such as Carrefour, Metro, IKEA, Marks and Spencer, etc. These new companies have changed the distribution model which Jordan and many developing countries hold on to. These large retailers control the value chain, they are dominant buyers. Manufacturers, who previously had greater bargaining power, are increasingly getting dominated by large scale retailers (this is true for consumer electronics, clothing and textiles, food products and other consumables). Highly specialized manufacturers who have invested in brand identity and/or have developed proprietary technology still have dominance and agencies will continue to have value in international markets, particularly where financial concentration and/or knowledge/technological concentration is required.

Thus, international companies, who have well developed logistics and purchasing systems, as well as access to substantial financial resources will be increasingly able to dominate international markets in terms of high volume consumable items as well as regional agencies. This has already been seen with Americana, a Jordanian company which is the local agent for a variety of American fast food chains. Americana has a sub agency from a large Kuwaiti firm, who is the regional agent for these American fast food companies.

Companies in the developing world, with limited financial resources, will be unable financially and technologically of providing such services and therefore, will slowly be phased out from developing country home markets. The speed at which large international retail chains will phase out local agents will depend on the individual country's size of market and disposable income levels. Moreover, international companies with considerable financial strength will be able to obtain regional agencies for products and services.

As such, in Jordan, the strength of commercial agencies and trade services is still substantial. This is to a great extent due to the fact that the Jordanian market is small and purchasing power is low. This has delayed the introduction of many large scale retailers such as Carrefour, Metro, IKEA, Marks and Spencer, consequently maintaining the value of individual agencies and the rationale for the protective barriers imposed by Jordanian commercial law.

If and when Jordan starts manufacturing and providing highly competitive products and services and starts developing export opportunities, then the Government of Jordan will need to re-evaluate the utility of its commercial laws and the restrictions placed on agency agreements in relation to foreign ownership. Additionally, export led growth will lead to increased levels of disposable income making Jordan a more attractive location for the large retailers to enter. Entry by large retailers will decrease the value of individual agencies as large retailers will be able to provide

⁵³ http://ec.europa.eu/trade/issues/sectoral/services/index_en.htm

more competitive prices provide a greater selection of products and benefit from economies of scale in purchasing.

6.2.2 Potential for growth

In the short term, Jordan has potential for growth in terms of commercial agencies. This potential is cross sector and includes consumer goods, branded products, vehicles, specialized equipment and technically sophisticated products. The size of the opportunity depends on the size of the purchasing public, the level of their disposable income, availability of consumer credit and consumption habits.

It is likely that with the advent and entrance of large international retailers such as Carrefour, Metro, IKEA, Marks and Spencer, etc. that the viability on local agencies in Jordan will be severely challenged. These large international retailers have such massive bargaining power with the producers of products, that local agents will likely be marginalized.

Agents of niche products/services, or items requiring some level of technological competence are likely to weather the entry of large international retailers. This means that agents of technologically sophisticated products requiring maintenance and support as well as agents of technical service providers (consultants, architects, etc.) should be able to withstand these competitive forces because the volumes of work are intermittent and sizable investments are required to maintain and support these sales.

7.0 SWOT Analysis

Table 10: SWOT Analysis for Commission Agents in Jordan

Strengths	Weaknesses
<ul style="list-style-type: none"> • Structurally dominated by local business people and local businesses (legally foreigners can only own 49% of a commission based business) • Only locals (people and companies) can register agencies at the Ministry of Industry and Trade • Allows business people with limited resources to develop opportunities to extract rents (revenues). • Buyer driven value chains allow agents to extract “brand name” rents (perceived values) • Producer driven value chains allow agents to extract rents based on limited supply (physical value) • Rents are extracted because of limited knowledge of products and substitutes (inefficient markets), as well as controlled sources. • Agencies minimize business risk as agents <u>may</u> never take ownership of the goods, but only facilitate transactions. • Agencies allow agents to increase their value added and improve their revenues and profits 	<ul style="list-style-type: none"> • Difficult to introduce new business concepts as foreigner participation is limited and controlled. May result in stagnation of how agencies are used. • Archaic understanding of the potential of agencies (many agents have limited themselves geographically) which can and has lead to stagnation in promoting new businesses, business concepts and models. • Allows business people with limited resources to develop opportunities to extract rents. • Existing agencies may come under pressure from increasing international brand development. Standard global competition. • Agency based businesses reduce and minimize the need to add value in the economy by agents • Little control of the mother company, its product, pricing and image • Agents are hostage to international trends and tastes. The value of agencies can change with the change in tastes or different sourcing trends. • Increasingly agencies are performance based,

<p>if they take on more responsibility and risk in the global value chain.</p> <ul style="list-style-type: none"> • Allows countries with little natural resources and industrial knowledge to develop local and regional businesses • Allows opportunities for business people who are aware of international trends. • Introduces new products and services to markets relatively quickly and easily. • Agencies can be an easy and simple method to diversify a business portfolio • Production driven agencies maintain their utility because barriers to entry and high (technology, capital investment, natural resources, etc.), preventing new entrants. 	<p>creating opportunities for new more aggressive and knowledgeable entrants.</p> <ul style="list-style-type: none"> • Little skill sets need to be developed to move the product, thus barriers to entry are low, allowing much competition. • International companies may require increasing levels of knowledge and support to grant agencies requiring increased investment and technical knowledge. • Companies can give agencies to non-Jordanians registered outside of Jordan, to obtain better regional coverage with a single company, locals will only get sub-agencies. • The utility of manufacturing agencies is declining in buyer driven value chains, because new companies outsource production and focus of branding, design and marketing.
<p>Opportunities</p>	<p>Threats</p>
<ul style="list-style-type: none"> • Rapid pace of change creates new agency opportunities (for new products and services) all the time. • Internet creates awareness about new products and services for people to attempt to become agents of. • Increases in the complexity of technology create opportunities for the technically trained and educated. • The increase in industrial dominance of India and China are creating opportunities for new agencies to be developed. • Globalization and the increased industrialization of India and China has increased opportunities for new agency agreements in Jordan and regionally. • Opportunities to integrate more into the value chain (handling logistics, marketing and advertising as well as service) 	<ul style="list-style-type: none"> • Internet businesses and e-commerce are counter to the agency concept. • Transportation and logistics are increasingly easier to facilitate with not required prior experience or knowledge. This reduces the utility offered by standard agents to customers and manufacturers/suppliers • Increased financial oversight may make the opening of Letters of Credit difficult for new businesses. • Competition for agencies has increased making it difficult • Large retail stores (hyper markets) have made agencies for fast moving consumer goods increasingly irrelevant. • Retailers can source their own brands from cheap sources of production to compete with existing brand.

8.0 Opportunity Scan

8.1 Benefits to employment and national income

Jordan has witnessed an increase in business activity at least over the past decade. GDP (at current prices) has increased from JD 1.046 Billion in 1998 to JD 2,929 Billion in 2006⁵⁴. Much of this increase has come about from the increase in consumption during this period, where imports have increased from JD 2.714 Billion to JD 8.187 Billion during this same period⁵⁵. This has been due to an increase in

⁵⁴ Central Bank of Jordan Statistical Series (1964 – 2003): Production

⁵⁵ Central Bank of Jordan Statistical Series (1964 – 2003): External Trade and Balance of Payments

population resulting from US-Iraq War of 1991 where hundreds of thousands of Jordanians and Palestinians living and working in GCC countries returned to Jordan. These individuals brought with them tastes and consumption patterns which were different to those of traditional Jordan. This immigration brought about the introduction of franchise businesses, where Jordanians would open chain restaurants such as McDonalds, Hardees, Burger King, Pizza Hut, Subway, to name a few. Moreover, Jordanians living in the Gulf were more used to international standards of consumption (imported cheeses, international breakfast cereal varieties, etc.). As such, this created opportunities for Jordanian businesses to cater to these newly introduced tastes and consumption patterns through obtaining new product and services agencies, franchises as well as licenses.

The introduction of new tastes and consumption patterns was paralleled by the introduction of satellite television and the internet which helped introduce new consumption requirements as well as secure the consumption patterns imported from the more affluent nations of the Arab Gulf. Easy access to global trends through the availability of traditional media (satellite television) and increasingly the internet in increasingly creating an increasingly homogeneous global culture, where Jordanians are introduced and exposed to new products, services, trends, fashions and consumption patterns. Previously, it was only Jordanians who could afford to travel frequently where exposed to these trends and products. Now these tastes are increasing business opportunities for Jordanian businesses as agents, franchisees and licensees.

Although these opportunities do contribute to employment generation and increased contributions to national income, many of these opportunities have limited benefit. In many cases these opportunities have low value added possibilities and therefore, low impact on workers wages. As in the west, fast food workers are not well paid. Manufacturing under license has the potential for higher value added inputs in Jordan and therefore higher income levels for workers and greater contribution to the economy. The level of added value in manufacturing is also greatly dependent on the aggressiveness of the licensee and their export perspective on the opportunities afforded through licensed manufacturing. Only licensees with a desire to export will work to incrementally and systematically to improve their local added value to increase their competitiveness.

Longer term benefits from agencies, franchises and manufacturing licenses is the requirement to operate according (in many cases) to managerial, quality assurance, production systems and logistics systems provided by the granting (agencies, franchise, license) company. Employees leaving such businesses to open their own businesses or find jobs elsewhere in the economy will bring new knowledge and capability to these businesses.

Horizontal Issues

Jordan is a relatively free market. Jordanian Companies Law allows foreign investment. Industrial investments can be 100% owned by foreign interests. Foreigners can only own up to 50% of trading companies. Thus franchises and agencies are limited by law to 50% foreign ownership, while manufacturing under license can be 100% owned by foreign investors. Commercial presence and registration is required for agencies, franchisees and licensees. In some cases, majority foreign ownership is allowed. This requires governmental authorization by the cabinet of ministers. There are cases where companies (i.e. Americana of Kuwait) have negotiated a regional (Middle East) master franchise agreement with several fast food chains where they can thereby prevent local businesses the

opportunity for such agencies and franchises. In the case of Americana, the Kuwaitis own 70% of the equity of the Jordanian firm. Moreover, the minimum foreign investment allowed in the establishment of any commercial entity is JD 50,000. This predicates that trading companies with foreign investment must have a capital of at least JD 100,000 (JD 50,000 for the foreign investor and JD 50,000 for the Jordanian investor). This capital requirement does hold for publicly traded companies.

Additionally, there are some horizontal issues related to the entry and stay of natural persons in one of the following categories⁵⁶: Any of these horizontal issues could be deemed as a random non-tariff barrier in which foreign investor's access to their local investments could be hindered through the delay in granting of visas and/or work permits. This is currently being faced by Americana, a Jordanian company which is 70% owned by Kuwaiti investors, who have stated difficulty in renewing work permits of their Egyptian staff who are responsible for the financial management of Americana in accordance with the Kuwaiti mother company's financial systems.

Business visitors

A natural person who stays in Jordan without acquiring remuneration from within Jordan and without engaging in making direct sales to the general public or supplying services, for the purposes of participating in business meetings, business contacts including negotiations for the sale of services and/or other similar activities including those to prepare for establishing a commercial presence in Jordan. Entry and stay shall be for a period of 90 days.

Intra-Corporate Transferees

Natural persons employed by a juridical entity of another member for a period of not less than one year and who seek temporary stay in order to render services to:

- (iii) the same juridical entity which is engaged in substantive business operation in Jordan or
- (iv) a juridical entity constituted in Jordan and engaged in substantive business operation in Jordan which is owned by or controlled by or affiliated with the aforementioned juridical entity.

Executives

Natural persons who are senior employees of a juridical entity, who are responsible for the entire or a substantial part of the entity's operations in Jordan, receiving general supervision or direction principally from higher level executives, the board of directors or stock-holders of the business.

Managers

Natural persons, who direct the juridical entity, or department or sub-division of the juridical entity, supervise and control the work of supervisory, professional or managerial employees, have the authority to hire and fire or recommend hiring, firing, or other personnel actions and exercise discretionary authority over day-to-day operations at a senior level.

⁵⁶ http://www.ustr.gov/assets/Trade_Agreements/Bilateral/Jordan/Annexes/asset_upload_file543_8460.pdf

Specialists

Natural persons employed by a juridical entity and possess knowledge at an advanced level of expertise and proprietary knowledge of a juridical entity product, service, research, equipment, techniques, or management.

Professionals

Natural persons seeking to engage, as part of services contract granted by a juridical entity engaged in substantive business in Jordan and obtained by a juridical entity of another Member, (other than entities providing services as defined by CPC 872) which has no commercial presence in Jordan in the activity at a professional level. The person must possess the necessary academic credentials and professional qualifications, which have been duly recognized, where appropriate by the professional association in Jordan. The commitment relates only to the service activity which is the subject of the contract.

Work permits for all categories are granted on the basis of an economic needs test, i.e. to candidates whose qualifications are not available in Jordanians or those who are seeking work in fields in which Jordanians are in short supply.

8.2 Identify investment prospects, joint ventures and export potential according to the standard WTO/GATS Modes

Under Jordanian Companies Law and as stipulated in Jordan's free trade agreements with various countries the trade services potential as identified by the four standard modes within the WTO (modes 1 – 4) can be summarized as follows:

Table 11: Trade in Services Potential – Commission Agents

Mode and Description ⁵⁷	Limitations and restrictions in Jordan	Opportunities in Jordan
<p><u>Mode 1: Cross-border</u> A user in country A receives services from abroad through its telecommunications or postal infrastructure. Such supplies may include consultancy or market research reports, tele-medical advice, distance training, or architectural drawings.</p>	<p>If such cross border services are to be actively marketed and consumed locally than commercial presence is required as of January 1, 2003. A good example of this is the Baby Cord service provided to new born children in which the umbilical cord is sent to the United States to store stem cells. In such cases, the local company is an agent or franchisee.</p> <p>However, there are many cases in which consumers can cross border services. Service providers are not liable to pay tax on the value of their services since the services were delivered outside from outside of the country.⁵⁸</p>	<p>Active marketing of foreign services as an agent, franchise or license holder in a variety of knowledge based services such as:</p> <ul style="list-style-type: none"> • Medical services • Engineering and design services • Advertising and marketing services • Management consulting services • Tele-medical services • Blood and tissue testing services • Training and professional education
<p><u>Mode 2: Consumption abroad</u> Nationals of a country have moved abroad as tourists, students, or patients to consume the respective services.</p>	<p>No Restrictions</p>	<p>Active marketing and promotion of medical, healing and or educational services. This is currently being pursued with international universities who seek out local students.</p> <p>This is also found in tourism services. Many local companies sell high value services, such as Abercrombie and Kent Travel Services, for high value tourism to locals who will consume abroad.</p>
<p><u>Mode 3: Commercial presence</u> The service is provided within A by a locally-established affiliate, subsidiary, or representative office of a foreign-owned and — controlled company (bank, hotel group, construction company, etc.).</p>	<ol style="list-style-type: none"> 1. Foreign companies are limited to 50% of the capital in a trading company which is registered to own agencies, franchises and licenses. 2. Foreign companies investing in a manufacturing company (under license) can own 100% of the capital. 3. In certain cases, foreigners can own more than 50% of a trading company with a waiver from the cabinet of ministers. 4. Minimum foreign investment is JD 50,000. Trading companies must be at least JD 100,000 unless foreign investors have received a waiver from the government. 5. Foreign companies can establish an affiliate, branch, subsidiary or representative office according to Article (240) of The Companies Law No. 22 of 1997⁵⁹. However, registration of foreign companies is heavily regulated by the Ministry of Industry and Trade. 6. The law stipulates that foreign companies can be registered for a limited period of time to execute tenders awarded to them. The registration of such 	<p>Increasingly foreign companies should be able to establish companies in Jordan even in the agency, franchise and license fields (trade services). There are few examples where this has already occurred (Americana where Kuwaiti investors hold 70% of the equity in the local company).</p> <p>Foreign companies with financial strength will leverage their economies of scale and obtain regional master agencies, licenses and franchises. Jordanian businesses will increasingly be forced to deal with this new reality.</p> <p>Therefore, large chain stores such as Carrefour, Wal-Mart, etc. are likely to be wholly owned or majority owned by foreign investors. These large retailers dominate the value chain (buyer dominated). There is no reason to share the profits resulting from consolidated</p>

⁵⁷ http://www.wto.org/english/tratop_e/serv_e/cbt_course_e/c1s3p1_e.htm

⁵⁸ Telephone interview with Dr. Wael Akasheh, Head of the Planning and Development Department, Income and Sales Tax Department, Interview on November 15, 2008.

⁵⁹ <http://www.mit.gov.jo/portals/0/tabid/502/Companies%20Law.aspx>

Mode and Description ⁵⁷	Limitations and restrictions in Jordan	Opportunities in Jordan
	<p>companies shall cease upon completion of such work unless the company obtains new contracts in which case its registration can be extended. The registration of a foreign company shall be cancelled after completion of all its work in the Kingdom and after its rights and obligations are settled.</p> <p>7. Companies operating permanently in the Kingdom under license by the competent official authorities.</p> <p>8. No foreign company or entity may exercise any commercial business in the Kingdom unless it is registered in accordance with the provisions of this Law <u>after obtaining a permit to operate pursuant to the applicable Laws and regulations.</u></p>	<p>procurement and distribution with others, particularly since Jordan is a small middle income country (little bargaining power).</p> <p>Jordan's small market size and limited disposable income levels may insulate Jordanian businesses from these global trends (large scale foreign retailers) This will leave local companies and natural Jordanians to seek out specialty agencies, franchises and licenses.</p> <p>Foreign companies may seek to establish a presence in Jordan for knowledge outsourcing work such as engineering, architecture and design work in addition to computer programming and medical outsource work. Jordan has the intellectual capital to enter these markets on a limited basis. Foreign investment could assist in leveraging the national investment in education into global value chains.</p>
<p><u>Mode 4: Movement of natural persons</u> A foreign national provides a service within A as an independent supplier (e.g., consultant, health worker) or employee of a service supplier (e.g. consultancy firm, hospital, construction company).</p>	<p>No restrictions except for measures concerning the entry and temporary stay of a natural person who falls in one of the following categories:</p> <p><u>Business visitors</u> A natural person who stays in Jordan without acquiring remuneration from within Jordan and without engaging in making direct sales to the general public or supplying services, for the purposes of participating in business meetings, business contacts including negotiations for the sale of services and/or other similar activities including those to prepare for establishing a commercial presence in Jordan. Entry and stay shall be for a period of 90 days.</p> <p><u>Intra-Corporate Transferees</u> Natural persons employed by a juridical entity of another member for a period of not less than one year and who seek temporary stay in order to render services to:</p> <p>(v) the same juridical entity which is engaged in substantive business operation in Jordan or</p> <p>(vi) a juridical entity constituted in Jordan and engaged in substantive business operation in Jordan which is owned by or controlled by or affiliated with the aforementioned juridical entity.</p> <p><u>Executives</u> Natural persons who are senior employees</p>	<p>Jordan is increasingly dependent on mode 4 services in the nursing, agriculture and domestic worker markets. There are active agents who facilitate this movement of natural persons.</p> <p>Home owners and institutions pay substantial fees to facilitate their work permits with the government.</p> <p>Foreign nationals could organize work for local and export consumption.</p>

Mode and Description ⁵⁷	Limitations and restrictions in Jordan	Opportunities in Jordan
	<p>of a juridical entity, who are responsible for the entire or a substantial part of the entity's operations in Jordan, receiving general supervision or direction principally from higher level executives, the board of directors or stock-holders of the business.</p> <p><u>Managers</u> Natural persons who direct the juridical entity, or department or sub-division of the juridical entity, supervise and control the work of supervisory, professional or managerial employees, have the authority to hire and fire or recommend hiring, firing, or other personnel actions and exercise discretionary authority over day-to-day operations at a senior level.</p> <p><u>Specialists</u> Natural persons employed by a juridical entity and possess knowledge at an advanced level of expertise and proprietary knowledge of a juridical entity product, service, research, equipment, techniques, or management.</p> <p><u>Professionals</u> Natural persons seeking to engage, as part of services contract granted by a juridical entity engaged in substantive business in Jordan and obtained by a juridical entity of another Member, (other than entities providing services as defined by CPC 872) which has no commercial presence in Jordan in the activity at a professional level. The person must possess the necessary academic credentials and professional qualifications, which have been duly recognized, where appropriate by the professional association in Jordan. The commitment relates only to the service activity which is the subject of the contract.</p> <p>Work permits for all categories are granted on the basis of an economic needs test, i.e. to candidates whose qualifications are not available in Jordanians or those who are seeking work in fields in which Jordanians are in short supply.</p> <p>Foreigners who come to Jordan to provide a service must pay 10% of their gross revenue (contract value) as income tax to the income tax department.⁶⁰</p>	

⁶⁰ Telephone interview with Dr. Wael Akasheh, Head of the Planning and Development Department, Income and Sales Tax Department, Interview on November 15, 2008 (Interview conducted by Dr. Ghaleb Shneikat).

9.0 Constraints to development

9.1 Constraints or the sector

According to the United Nations Conference on Trade and Development (UNCTAD), Jordan attracted over US\$3 billion in foreign direct investment in 2006, an increase of over 100%. However, its total was far below that of Saudi Arabia, which attracted US\$18.3 billion; Egypt, US\$10 billion, and the UAE, US\$8.4 billion.⁶¹ This information reflects the limitations of the small size of Jordan and its economy as well as restrictive measures on foreign presence or establishment in the Jordanian economy. Following are some of those limitations and restrictions:

- Limited population (approximately 6.2 million people)⁶²
- Small Gross Domestic Product USD 16.01 billion⁶³
- Low level of per capita GDP (a proxy for spending ability) USD 2582.26/person⁶⁴
- According to the World Economic Forum's Global Competitiveness Report for 2006-2007, the three most problematic factors for doing business are tax regulations, access to financing, and inefficient government bureaucracy. This has been conformed by an interview with Mr. Abdullah Darwish, the Supply Chain Manager with Americana Group in Amman on November 11, 2008.
- Despite improvements over the last two years, Jordan ranks in the bottom 5% of countries in minimum capital required to start a business, at 795.4% of income per capita (down from 1,011% in 2005). This minimum capital requirement is significantly higher than the average of the countries in its income group -- 116.5% of income per capita.⁶⁵
- Foreign companies are faced with an absence of skills on the part of the Jordanian workforce, which is highly literate but to a large degree lacks the skills and communication tools that are customary and required in a professional setting/environment. As such, although Jordan has spent enormous amounts on education (both at university and school levels), much of this education remains unharnessed as appropriate work place skills do not accompany academic skills⁶⁶. Recently the Ministry of Labor has somewhat restricted local companies from employing non-Jordanians with the required (non-academic) workplace skills.⁶⁷

Specific Constraints

Trade services have potential in the Jordanian market. However, the opportunity for foreign participation either through direct commercial presence or direct investment in a Jordanian company is limited. Jordanian commercial law requires that foreign companies wishing to establish a branch, subsidiary or representative office to obtain a permit to operate pursuant to applicable laws and regulations⁶⁸. Obtaining a permit to operate is related to the subjective interpretation of the Minister and Companies Controller.

⁶¹ <http://www.ameinfo.com/147262.html>

⁶² <https://www.cia.gov/library/publications/the-world-factbook/print/jo.html>

⁶³ <https://www.cia.gov/library/publications/the-world-factbook/print/jo.html>

⁶⁴ GDP divided by population (1601000000/6200000) = 2582.26 \$/person based on figures from the CIA Factbook

⁶⁵ The Country Snapshot-Jordan prepared by the International Finance Corporation (IFC)/ World Bank

⁶⁶ Source: Laith Al-Qasem, Jordanian consultant based on experience with the USAID funded SABEQ program

⁶⁷ Source: Laith Al-Qasem, Jordanian consultant based on local experience and knowledge

⁶⁸ Article (240) of The Companies Law No. 22 of 1997

For companies dealing in trade and owning agencies, franchises and licenses, this usually means partnering with locals and limiting equity participation to a maximum of 50%. There are individual cases where foreigners were allowed to own more than 50% of a trading entity. Obtaining greater than 50% ownership requires approval from the cabinet of ministers. Non-Jordanian companies who have obtained master agencies, franchises or license agreements are most likely to be able to greater than 50% equity ownership.

The Jordanian market is limited in size and limited in its purchasing power. Many of the franchise, licenses and agencies require larger markets and/or more affluent markets. Thus, the Jordanian market may be too small for several large scale retailers such as Carrefour, Walmart, and Tesco. Moreover, the high tariff level on imported products marginalizes/reduces the cost benefits which these large retailers have developed by controlling their value chains (buyer dominated) and which they pass on to consumers. The limited purchasing power in Jordan makes the financial viability of these large retailers questionable as many of the large inventories of items which they procure may not have as deep a market as in more affluent or larger markets.

As modern businesses become more complex and as products become more technologically sophisticated, local agents, licensees and franchisees may have difficulty in finding individuals with the predisposition and educational background to properly install or maintain specific products and equipment. Moreover, in the case of service companies agents/franchisees/licensees may have difficulty in delivering the same level of service quality which is to be expected by the mother company. This is due in large part to a mismatch between the Jordanian educational system and the skill sets needed by new product and service companies. This will place a large training burden on companies wishing to introduce and maintain new sophisticated products or provide new sophisticated services in accordance with international expectations. Additionally, the speed at which change is being introduced into the market also means that any specific skill sets may become obsolete or irrelevant. This is particularly true of manufactured products (automobiles, computers, communication devices, consumer electronics, etc.) and of complex service provision such as consulting and engineering services. Moreover, recent surveys of Jordanian companies have found that most Jordanian graduates lack work place and life skills. These skills include the ability to listen, work in a team, communicate, and write.⁶⁹

9.2 Related policy factors

The Jordanian government was very aggressive in reforming its economy from 1999 until 2004. The government adopted many reforms required to enhance the competitiveness of Jordan. Many of these reforms are delineated in the World Bank Doing Business Indicators and the Global Competitiveness Report. During the period from 1999 till 2004 Jordan made relative gains in reform. Jordan's competitive position improved dramatically in the years 2002 – 2004⁷⁰. The relative gains made by Jordan were lost in the subsequent years as new countries began reforming more aggressively. Therefore, although Jordan may have made absolute improvements, its competitiveness has declined from 35th place in 2004⁷¹ to 48th place in 2008/9⁷².

⁶⁹ USAID Jordan Economic Development Program (SABEQ) – Workforce survey

⁷⁰ <http://www.competitiveness.gov.jo/files/global%20competitiveness%20report%20E.V%202004.pdf>

⁷¹ <http://www.jordanembassyus.org/10152004001.htm>

⁷² <http://gcr.weforum.org/gcr/>

Recently, the government has slowed reform as reforms were seen as counter to the immediate revenue needs of government. As such, many of the tariff and tax reforms were implemented without the required spirit. Thus, the desired benefits from the economic program were not as substantial as anticipated. Additionally, the government has been growing instead of shrinking; this has put additional pressure on the tax department to collect taxes and the customs department to collect customs. This has led to unanticipated and subjective interpretations of Jordanian tax laws⁷³ and customs rules. Such creative interpretations have reduced the desire of trade service companies from expanding their investments in Jordan since the returns on their investments are not predictable.⁷⁴ This is particularly damaging in the case of the customs department, where customs officials receive performance bonuses on the number and value of penalties they impose on importers. This has led to a tiresome adversarial relationship between trade service businesses and the customs department.

Additionally, the process of establishing a business in Jordan remains somewhat poorly defined. Investors need to go through several governmental institutions to register a company. These institutions include the Ministry of Industry and Trade, The Greater Amman Municipality and the Civil Defense Department. Although great strides have been made in streamlining the procedures at the Ministry of Industry and Trade, investors still need to obtain a vocational license from the Greater Amman Municipality. A vocational license is based on inspectors from the municipality inspecting the relevant building which will be used to house a business as well as the zoning restrictions for the specific area. It usually takes at least several days for inspectors to visit the appropriate site and make their recommendations which the renter must implement to obtain the license. Additionally, the municipality will not issue the vocational license unless the civil defense department authorizes a building as being suitable for the proposed business. This can also take several weeks and even months to get a civil defense inspection team to inspect and provide authorization of building use, before a vocational license can be issued⁷⁵.

9.3 Specific recommendations for remedial action

Based on the constraints defined above, it is recommended that the following recommendations be considered to alleviate/reduce the constraints:

1. Define which areas foreign investors can invest in and the limits of their investment in these areas. This is to overcome the subjective nature of interpretation of Jordan's Companies Law.
2. Improve vocational training to address new technical needs which are arising more frequently as new products are introduced into the market. This can be done through surveying vocational training needs or providing incentives to private companies to invest in the training of their personnel.
3. The Jordanian government should continue reforming at the same pace as in 2000 – 2004. The government may consider training middle level bureaucrats for the reform objective through the development of educational

⁷³ Interview with MrAbdullah Darwish from Americana, by Ms. Ayat Abu Sini/ABCD researcher on November 11, 2008

⁷⁴ Interview with MrAbdullah Darwish from Americana, by Ms. Ayat Abu Sini/ABCD researcher on November 11, 2008

⁷⁵ Interview with Laith Al-Qasem based on real life experience with the establishment of Arabian Business Consultants for Development, November 16, 2008

criteria and training for middle and upper level public management. The creation of a disciplined school of government may be a good idea, or developing a twinning arrangement with one more internationally certified schools of public administration.

4. Review Jordanian tax and tariff laws in light of regional competition and inherent government revenue requirements. Determine if tax and customs reform can be aligned with the country's development needs and the government's revenue needs. Develop a plan to downsize the size of the public sector if necessary and outsource tasks to the private sector if possible.
5. Analyze existing practices at the Ministry of Industry and Trade, Greater Amman Municipality, and the Civil defense department with regards to registering companies. Moreover, specific categories of companies (small or home offices, professional services, some trade services, etc.) may be exempt from the inspections of the Civil Defense and the Municipality to receive a vocational license.

Annex 1: Commission Agent's Services: CPCprov code 6211

Group: 621 - Commission agents' services

This Class is divided into the following Subclasses:

- 62111 - Sales on a fee or contract basis of agricultural raw materials and live animals
- 62112 - Sales on a fee or contract basis of food products, beverages and tobacco
- 62113 - Sales on a fee or contract basis of fuels, metals, ores, timber, building materials and industrial and technical chemicals
- 62114 - Sales on a fee or contract basis of machinery, industrial equipment and vehicles other than motor vehicles, bicycles and motorcycles
- 62115 - Sales on a fee or contract basis of furniture, household goods, hardware and ironmongery
- 62116 - Sales on a fee or contract basis of textiles, clothing and footwear
- 62117 - Sales on a fee or contract basis of pharmaceutical and medical goods and cosmetics
- 62118 - Sales on a fee or contract basis of goods n.e.c.

Un Stats CPCprov:

<http://unstats.un.org/unsd/cr/registry/regcs.asp?Cl=9&Lg=1&Co=6211>

Annex 2: Questionnaire

Commission Agent Services (Distribution Services)

The consultant used this questionnaire with several of the individuals surveyed. It was found that the individuals were generally ignorant or unaware of the issues raised. Most individuals were aware of specific constraints which are detailed in the business environment section. As such, the consultant took it upon himself to answer the questions raised. Many of the details sought in the questionnaire were not readily found within the time allocated. Moreover, indicators of quality and access were also not readily available.

I. Policy Section

A. Market Access

Macroeconomic policies

1. Are there restrictions on capital flows? None at the moment		
Capital inflows Short term <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	Capital outflows Short term <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	If yes, what type of restrictions? Is the authority allowed to impose temporary restrictions?
Long term <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	Long term <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	

Commercial presence

2. Are there policy restrictions on new entry of companies?			
Entry by any company <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	If yes, total number of companies allowed Unlimited Local Companies	Entry by foreign companies <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes Limitation is in percent ownership of a commercial company	If yes, total number of foreign companies allowed Limited by number of authorizations received from the Council of Ministers
3. If entry is restricted, what are the reasons provided by the government? <input checked="" type="checkbox"/> To give state-owned or national companies time to prepare for competition <input type="checkbox"/> To increase government revenue from privatization or license fees <input type="checkbox"/> Exclusive rights to allow the provision of universal service <input type="checkbox"/> To reduce potential systemic risk believed to arise from over-companing <input type="checkbox"/> Inadequate regulatory and supervisory capacity <input type="checkbox"/> No perceived economic need for new companies <input type="checkbox"/> Other: To protect local companies and business people from foreign competition and to safeguard local creditors from fraud perpetrated by foreign investors (fear is based on having no recourse on a foreign company or investor who flees Jordan)			
4. Which of the following legal forms of establishment are allowed for foreign companies? <input type="checkbox"/> Subsidiaries <input type="checkbox"/> Branches <input type="checkbox"/> Representative Office <input checked="" type="checkbox"/> All They are allowed but require government authorization/approval. There are restrictions on the type of businesses which can be executed by foreign companies.			
5. Are there restrictions on the number of foreign company branches? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes If yes, what is the maximum number of foreign company branches permitted? _____ There are no specific restrictions on the number of branches, this would probably be negotiated with government.			

6.		
7. Are foreign companies allowed to raise capital domestically? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes		
Although many banks offer international investment services in foreign markets and domestic firms or citizens are not prohibited from cross border investments.		
8. Which of the following services are commercial companies permitted to provide domestically?		
	Domestic companies	Foreign companies
Real estate lending	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes
Insurance services	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes
Securities services	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes
Foreign currency lending	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes
Foreign exchange services	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes
Credit card services	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes
Leasing services	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes
Other (specify) _____	<input type="checkbox"/> No <input type="checkbox"/> Yes All the above mentioned services required permission from either the securities commission, central bank, or insurance regulatory commission.	<input type="checkbox"/> No <input type="checkbox"/> Yes A foreign company could establish a local entity to carry out these services in partnership with a local investors (50% ownership) or seek governmental approval on 100% foreign ownership

Cross-border companying trade

9. Are the following allowed to borrow cross-border from foreign companies?
Domestic companies <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes
Domestic corporations <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes
Domestic households <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes
If applicable, please specify borrowing limits: No limits. Amount depend on the creditworthiness perceived by foreign lenders.
10. Are companies subject to any qualifications in order to be able to access foreign capital?
<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes
If yes, please specify: There are limits on foreign ownership in commercial (non-industrial/manufacturing) companies. Foreign investors wishing more than 50% have to qualify their investment to gain government approval.
11. Are the following allowed to make cross-border deposits with foreign companies?
Domestic companies <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes
Domestic corporations <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes
Domestic households <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes
If applicable, please specify deposit limits: No limits

B. Ownership

12. Is private ownership in the provision of services allowed?			
Existing companies	Maximum private equity permitted (%)	New companies	Maximum private equity permitted (%)
<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	100%	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	100%
13. Is foreign ownership in the provision of services allowed?			

Existing companies	Maximum foreign equity permitted (%)	New entrants	Maximum foreign equity permitted (%)
<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	50% A greater percentage can be allowed with governmental approval	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	50% A greater percentage can be allowed with governmental approval
14. Are companies allowed to hold equity in the following firms?			
	Non-financial firms		Financial firms
Domestic companies	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	<input checked="" type="checkbox"/> Yes
Foreign companies	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	<input checked="" type="checkbox"/> Yes
If yes, please indicate maximum stake permitted in each case.			
Domestic companies are allowed to hold up to 100% in any company Foreign companies are allowed to own 100% in industrial/manufacturing companies Foreign companies are allowed to own up to 50% in commercial (non-industrial) companies Foreign companies can own more than 50% in commercial companies with government approval Domestic companies can own up to 100% in financial firms (this is a very broad description). Banks can only be public shareholding companies. Public shareholding companies can be owned by a single investor (foreign or local) with the minister of industry and trade approval and the recommendation of the controller of companies.			

C. Regulation

15. Characteristics of regulator: Independent department associated directly with Minister of Industry & Trade Name of regulator: Companies Control Department
Year of establishment: Established in 1946 but known as Ministry of Industry and Trade since 1975
% of Regulator's finances from: License and other fees: _____ Budgetary allocation: _____ Other (specify): 100% from Government Budget
Is the regulator independent of the ministry of finance/economy or other regulatory bodies? No <input type="checkbox"/> Yes <input checked="" type="checkbox"/>
Number of professional regulatory and supervisory staff: Not known
16. How are companying licenses allocated? Company licenses are allocated by request of investors as long as the request in within the framework of the law. a) If the number of providers is not limited by policy, specify the main conditions new entrants must fulfill. <input checked="" type="checkbox"/> Payment of license fee (indicate amount in local currency: JD 25 for a proprietorship, 2 per thousand of the capital or JD 250 (whichever is greater) for a limited liability company, 2 per thousand of the capital or JD 5000 or JD 1000 (whichever is greater) for a public or private shareholding company respectively, JD 5000 to register a local branch of a foreign company, JD 500 to register a foreign company name, JD 10 for the company registration form) <input type="checkbox"/> Presentation of detailed business plan. <input checked="" type="checkbox"/> Minimum capital (JD 1,000 for a limited liability company, minimum foreign investment is JD 50,000 for a limited liability company) <input checked="" type="checkbox"/> Compatible home country regulation (possible requirement for government Authorization in banks, trade companies where greater than 50% ownership is required by foreign corporate investors) <input type="checkbox"/> Other: _____ c) If the number of providers is limited by policy, through what mechanism are licenses allocated? <input type="checkbox"/> First come, first served basis <input type="checkbox"/> Competitive bidding

Discretionary decision by the licensing authority
 Other: _____

c) Once the licenses have been allocated, are there restrictions on companies' ability to sell or dispose of these licenses?

No Yes

If yes, please specify:

d) Are foreign companies subject to different licensing requirements from domestic companies ?

No Yes

If yes, please specify what additional requirements have to be met by foreign companies.

e) Are separate licenses required to establish branches in each state/province?

No Yes

17. Please provide information on the following indicators of prudential regulation for the latest year available. **The required information is not readily available. There are no standards enforced by government on companies with the exception of banks who report to the central bank of Jordan.**

Category	Capital adequacy requirement ⁷⁶	Loan Classification Requirement ⁷⁷	Liquidity ratio ⁷⁸	Single exposure Limit ⁷⁹	Foreign exchange risk exposure limit ⁸⁰	Required to join deposit insurance scheme?	Lender of last Resort facility Available?	Required frequency of publication of financial statements ⁸¹
State owned companies						<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	Government guarantees have become less prevalent with the privatization of state owned companies.
Nationally Owned companies						<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	Limited liability and private shareholding companies must submit annual audited reports. Public shareholding companies must submit financial reports quarterly to the Jordanian securities commission.
Foreign owned:								
Branches						<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	The latest annual report is required when registering a foreign company.
Subsidiaries						<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	The latest annual report is required when registering a foreign company.

⁷⁶ Capital Adequacy ratios for a company are usually measured by the ratio of capital to risk-weighted assets.

⁷⁷ Refers to the number of days after which an unpaid loan has to be classified as a non-performing loan.

⁷⁸ Refers to the percentage of assets to be held against deposits for liquidity purposes.

⁷⁹ Refers to percentage limits on lending to an individual company.

⁸⁰ Refers to the percentage of foreign exchange assets to be held as a proportion of deposits

⁸¹ Please indicate whether financial statements have to be published annually or quarterly.

18. Are companies required to disclose critical information?

Related to performance No Yes
 Related to changes in ownership No Yes
 Other No Yes

Limited liability, private shareholding and public shareholding companies must have annual reports submitted to the ministry of industry and trade. Publicly traded companies must submit audited reports quarterly to the Jordanian securities commission. Changes in ownership must be recorded at the ministry of industry and trade. Share sales in publicly traded companies are recorded at the Jordanian securities commission.

19. Is home country supervision of foreign companies recognized? No Yes

If yes, please list the countries whose company supervisory systems are recognized.

20. Public consultation and transparency

a) Which of the following are consulted in advance of regulatory decisions?

Service providers
 Consumer groups
 User industries
 Other: **Chambers of industry and commerce but not in a formal manner. Efforts are being made to create a consultation process which would be formal and required governmental employees to be trained in making it effective⁸².**

b) How are laws and regulatory decisions made public?

Published on the regulator's website
 Published in an official gazette
 Other: _____

D. Regional Integration Agreements in Companying Services

21. Please indicate if there are any preferential arrangements and/or cooperative arrangements affecting companying services, and list the preferential⁸³ measures.

Name of agreement	Partner country(s) in agreement	Date of entry into force	Preferential measures

E. Past and Future Changes in Policy

22. Please indicate major changes in market access policies, ownership rules, and regulation since 1990, as well as changes that are anticipated (e.g., privatization of state-owned companies, introduction of competition, entry of foreign companies, creation of an independent regulatory agency, liberalization of capital account, etc.).

Area of policy change (market access, ownership or regulation)	Year of policy change	Description of policy change

⁸² Source: Laith Al-Qasem, Jordanian Consultant, based on experience with the USAID funded SABEQ program, specifically enhancing the business environment.

⁸³ Please specify how the treatment of companies of member countries of the agreement differs from the treatment of companies of non-member countries.

23. Administered allocation of resources

a)

Category	Controls on deposit rates?	Ceilings on lending rates?	Subject to directed lending?	List of sectors benefiting from directed lending
State owned companies	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	
Private nationally owned companies	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	
Foreign companies	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	

b) Does the government subsidize nationally owned companies?

No Yes

In the past, the government used to subsidize nationally owned companies such Royal Jordanian Airlines, which received subsidies on fuel. This has however decreased with the government's increasing privatization.

II. Market Structure Section: This information is not readily available either from banks who hold the information to be confidential or the individual companies who also hold such information to be sensitive.

24. Please list the characteristics of the 6 largest companies in the market for deposits:

Name of company	Year of establishment	Domestically owned equity (%)	Foreign equity (%)	Market share in total deposits (%)	Return over equity (%)
NA					

Total number of companies in the market for deposits: _____

25. Please list the characteristics of the 6 largest companies in the market for loans:

Name of company	Year of establishment	Domestically owned equity (%)	Foreign equity (%)	Market share in total loans ⁸⁴ (%)	Return over equity (%)
NA					

Total number of companies in the market for loans: _____

26. Please provide the following information on the actual number of companies:

Number of fully state-owned companies: _____
 Number of privatized companies: _____
 Number of fully domestically owned⁸⁵ private companies: _____
 Number of foreign minority-owned⁸⁶ companies: _____
 Number of foreign majority-owned⁸⁷ companies: _____

⁸⁴ Include consumer and business loans.

⁸⁵ Companies that are not state owned where the paid-up share capital is entirely held by domestic residents.

⁸⁶ Companies where foreigners hold under 50% of the paid-up share capital of the company.

⁸⁷ Companies where 50% or more of the paid-up share capital of the company is held by foreigners.

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III. Performance Indicators Section

A. Employment

27. Main employment indicators:
How many people are employed in the sector? Not readily available
What share of the total labor force is employed in this sector? Not readily available
What share of companying labor force is employed by state-owned companies? Not readily available
What share of companying labor force is employed by foreign companies? Not readily available
What is the annual average wage in the companying sector? Not readily available for the commission agent companies
If time series data on these employment indicators are available, please attach them separately. Not readily available

B. Investment: This information is not readily available. Many companies register very small capital amounts but work with much larger investment amounts and financing capabilities.

28. Investment indicators (for the years 1990-2000)
What is the total amount of investment in commission agent services?
What is the total amount of foreign direct investment in this sector? _____
What is the total stock of foreign direct investment in this sector? _____
If time-series data from 1990 to 2000 is not available, please collect indicators for the years 1990, 1995 and 2000.

C. Prices and Performance Indicators: Not easily available for commission agents as most are limited liability companies and proprietorships, thus there is no easy access to financial statements.

29. Please provide information on the following price indicators for the latest year available. For a comprehensive assessment of companying sector performance, it would be extremely useful to have historical data on these prices measures. If time series data are available, please attach them separately (preferably electronically).

Category	Average monthly company charges for a basic checking account	Average monthly ex – post spread ⁸⁸ as a % of company assets	Non-performing Loans as a % of total company assets	Ratio of no. of employees to operating income
Nationally Owned companies	NA	NA	NA	NA
Foreign owned:	NA	NA	NA	NA
Branches				
Subsidiaries	NA	NA	NA	NA

D. Quality and Access to Companying Services

30. Which of the following services have been introduced by foreign companies in the last 10 years?
<input type="checkbox"/> Credit cards <input type="checkbox"/> Debit cards <input type="checkbox"/> Online companying <input type="checkbox"/> ATM network <input type="checkbox"/> other (specify)
Domestic companies have been providing such services for the past 20 years ⁸⁹ .
31. Do foreign companies participate in rural lending? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes
If yes, what is the share of foreign companies in total rural loans? _____

⁸⁸ The Ex-Post Spread of a company is defined as the accounting value of the difference of the realized interest revenue and total interest cost of that company and is also referred to as the Net Interest Margin.

⁸⁹ Source: Laith Al-Qasem, Jordanian Consultant's personal experience

32. Please indicate if the following companies make education loans to the poor:

Domestic companies: No Yes
Foreign companies: No Yes

There may be education scholarships as part of corporate social responsibility by either foreign or domestic companies.

33. Do spreads between lending and deposit rates differ between large business firms and low-income households? No Yes

If yes, please give sample spreads for a large business firm and a poor household below⁹⁰. The numbers vary depending on the level of collateral made available by the debtor as well as the banks history with the client.

Spread for large business: 2+% Spread for low-income household: 5+ %

34. Indicate the following⁹¹:

Number of companies per 1000 of the population: 11.3
Average wait time for loan approval: 3 – 5 weeks
Average wait time for credit card approval: 2 weeks but most applicants have to be pre-approved.
No. of company failures during 1990-2000: No Idea

Please, provide the name and contact information of the respondent of this questionnaire, or of a specialist from whom we can obtain clarifications if necessary.

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⁹⁰ Based on phone interviews with HSBC, Capital Bank and Jordan Commercial Bank on November 30, 2008. Also based on an interview with Ms. Asma Abu Taleb, Banking and Finance Component Lead with the USAID funded SABEQ Program.

⁹¹ Source Laith Al-Qasem, Jordanian Consultant's personal experience