# "Incentives As a Promotional Tools for Foreign Direct Investor (FDI) in Jordan" – with special emphasis on the role of Jordan Government"

Prested By

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## Table of Content

Contents

Page no.

I- Introduction
II- Research Objectives and Importance
III- Research Problem
IV- Literature Review
IV –1 How Does Foreign Drict Investment Affect Host Countries
IV- 2 What Makes a Country Attrachive to FDI
IV- 3 General Obstacles of FDI
IV- 4 Improtance of FDI
IV- 5 Trends of Foreign Direct Investment in Jordan
V- Research Methodology
VI- Research Hypothesis
VII- ResearchSample Design
VIII- Response Rate
XI- Questionnair Analysis
a. Demographic Characteristic of the sample
b. Hypothesis Testing
XII- Conclusion & Recommendation
References
Appendix

# I- Introduction:

Jordan Government encourage foreign direct Investment (FDI) and is undertaking steps to improve the investment climate, most notably through the adoption of a new foreign direct investment law and the establishment of Investment Encouragement Department.

The Improvement of the investment climate is an important part of the government's broader program to liberalize the country's trade and investment regime, diversify an economic overly depending on agriculture, tourism, manufacturing and join the world Trade Organization (WTO). The Government of Jordan promotes foreign investment in different ways, such as providing facilities to foreign Direct Investors (FDI).

Foreign and Domestic investment in Jordan is regulated by the Investment Promotion Law no. 16 of 1995, and it's regulations no. 2 of 1996 and no. 39 of 1997. The law grants incentives to projects in Industry, Agriculture, Hotels, Hospitals, rail transportation, leisure and recreation, and convention and exhibition centers. The law also permits the Council of Ministers to designate other economic sectors for exemption. Non-Jordanians may invest in Jordan through full or partial ownership of investment projects, or by purchasing shares listed on the Amman Financial Market. Transactions involving the latter are carried out via licensed brokers.

The Investment Law, which was passed in the year 1995, eased restrictions on international investments, allowing Foreign Investment in all projects and sectors, removing maximum foreign share holding limits, and reducing minimum capital investment requirements. Investors also have the right to repatriate capital, profits and dividends in any convertible foreign currency.

Foreign companies are able to participate in public share holding companies with the approval of the Council of Ministers. Investors may open branches in Jordan after they have obtained a contract. Foreign companies wishing to register a regional office in Jordan receive certain customs duty exemptions including the exceptions of tax on the salaries of non Jordanian employees.

Jordan Government is continuing to promote foreign Investors to enter its qualifying Industrial Zones (QIZ), which were established in 1988. Companies operating in the QIZ are allowed duty free entry to the US market if they can meet certain requirements, including securing joint Jordanian - Israeli input into their products. To qualify for a QIZ, 35% of the product must derive from materials produced in the QIZ, and the Jordanian and Israeli partners will each contribute one - third of the direct cost of production. QIZ have already led to several multi - Million dollar joint ventures between Jordanian and American firms that have generated thousands of jobs.

In addition to the QIZ, the government has developed the Aqaba Special Economic Zone (SEZ). Within the zone, investors enjoy a range of privileges including full freedom from customs duties; a 5 percent income tax and 7 percent retail tax, compared with the 13 percent now in force in the rest of Jordan.

The above mentioned introduction about the role Jordan Government plays in promoting foreign Direct Investment gives the researchers the power to identify the main tools Jordan Government utilized in fostering and encouraging FDI in Jordan.

## II- Research Objectives and Importance

The main purpose of this study is to investigate, measure and analyze the issues related to the incentives provided by Jordan Government as a promotional tools to promote foreign Direct Investment in Jordan and also to analyze the main obstacles facing the FDI in Jordan. This study attempts to analyze the role of Jordan Government played in attracting more FDI to the country. The study also tries to evaluate the foreign Direct Investors reaction related to the facilities. Motives, incentives and main obstacles and problems they are facing in Jordan.

In general, the following are the main objectives of this study:

1- To analyze the Government of Jordan regulations role in promoting and motivating Foreign Direct Investment in Jordan.
2- To evaluate the level of Infrastructure facilities provided for FDI in Jordan.
3- To evaluate the social conditions and it's level in motivating and promoting FDI in Jordan.
4- To review the Finance and Banking motives for FDI in Jordan.
5- To judge the economic conditions role in attracting FDI in Jordan.
6- To evaluate the political conditions for FDI in Jordan.
7- Providing valuable recommendations to attract more FDI to Jordan.

## III- Research Problem

Foreign Direct Investment is considered to be one of the most important tools that develop countries, and different countries of the world try to promote FDI in order to have positive impact on it's economic indicators. This gives the researcher the vision that such issue is an important one to be discussed and analyzed for the role the Government is playing in promoting FDI to their countries.

Based on the above Facts, the research problem can be designed in the following questions :

1- Did Jordan Government attract more FDI to Jordan?
2- Did Government Regulations promoted FDI in Jordan.
3- What are the main obstacles facing FDI in Jordan.

## IV- Literature Review:

Generally speaking there are different methods multinationals companies adopt to enter foreign markets. The nature of entry ranges from indirect exporting to wholly owned production in foreign markets. (Vern, Sarathy. 2000)

The firm is an indirect exporter when its products are sold in foreign markets but no special activity for this purpose is carried on within the firm. This generally achieved by foreign sales organizer, export management companies, and export trading companies.

The second important way to enter foreign market is using wholly owned production facility in foreign markets. There are different approaches to foreign manufacturing such as foreign assembly, contract manufacturing, licensing, joint venture in foreign markets, strategic alliances, and finally wholly owned foreign production. These approaches are considered to be the basic of Foreign Direct Investment by multinational companies.

Foreign direct investment (FDI) is a company controlled through ownership by a foreign company or foreign individuals. (Daniel, Aught, 2001). FDI is important because production Facilities abroad comprise a large and increasingly important part of international companies activities and strategies. In fact, FDI is now more important than trade as a vehicle for international marketers and business.

Foreign Direct Investment (FDI) has come to play a significant role in creating wealth and jobs on a global scale. Traditionally, many political leaders and activists around the world have been suspicious of both FDI and Multinational Corporations (MNCs). The abatement of Cold War and the realization by leaders in developing and emerging markets has fostered FDI Flows World Wide.

Klaus Meyer (1998) argues that FDI offers seven benefits

1- Accelerates knowledge transfer.
2- Generates urgently needed capital for countries with limited access to international capital market.
3- Generates cash revenues via privatization for empty government budgets.
4- Help in restructuring of industries and upgrading of aging capital stock.
5- Fosters change in the economic system for countries in transition and emerging markets.
6- Creates competition and promotes the development of the private sector, and
7- Facilitate exports to markets through knowledge of the relevant markets, as well as access to brand names and distribution networks.

Farok Contractor (1998) on other hand, views FDI as an instrument that helps build market institutions and assists in the liberalization of economic policies in emerging markets and countries in transition.

**IV- 1 How Does Foreign Investment Affect Host Countries**

Foreign Direct Investment (FDI) may promote economic development by helping to improve productivity growth and exports in the multinationals host countries. In this section a literature on the effects of foreign direct investment on host countries is covered which are as follows. (Blostieam, Kokka, 1997).

**1- Transfer of Technology**

It is well known that FDI undertakes a major pat of the world's private research and development (R&D) efforts and produces, own, and controls most of the world's advanced technology through MNCs. MNCs produce and won the bulk of the world's modern technology which is spread across international boarders through FDI.

Wang and Blomstorm (1992) assured that Foreign Direct Investment (FDI) is a potential channel of technology transfer. Transfer of technology to host country may lead to :

- Contribute to efficiency by breaking supply bottleneck;
- Introduce new know-how by demonstrating new technologies and training workers who later take employment in local forms;
- Either break down monopolies and stimulate competition and efficiency or create monopolistic industry structure, depending on the strength and responses of the local firms;
- Transfer technologies for inventory and quality control and standardization to their local suppliers and distribution channels and
- Force local firms to increase managerial efforts, or to adopt some of the marketing techniques used by MNCs either on the local market or internationally.

**2- Linkages between MNCs and local firm**

Some of the spillovers from FDI operate via the linkages between the MNCs foreign affiliate and its local supplier and customers. "The spillover occur when the local firms benefits from the MNC affiliates' superior knowledge of product or process technologies or market, without incurring a cost that exhausts the whole gain from the improvement. Backward linkages arise from the MNC affiliate's relationships with suppliers, while forward linkages stem from contracts with customers". (Blastream, kokka. 1997)

**(a) Backward linkages**

Some of the complementary activities that may create spillovers through backward linkages are as follows. (Lau, 1980)

- Help perspective suppliers to set up production facilities;
- Provide technical assistance or information to raise the quality of suppliers products or to facilitate innovations;
- Provide or assist in purchasing of raw materials and intermediaries;
- Provide training and help in management and organizations; and
- Assist suppliers to diversify by finding additional customers.

**(b) Forward Linkages :**

There is much less evidence of forward than backward linkages. Many new MNCs develop new techniques such as Computer based automation and information technologies to enhance MNCs' -customer contacts.

**3- Training of Local Employees in MNC's Affiliates:**

The transfer of technology from MNC parents to affiliates is not only embodied in machinery, equipment, patent right, and expatriate managers and technicians, but is also realized through the training of the affiliates local employees.

**4- Trade Effects**

To enter a foreign market and to become a successful exporter, a company must not only be a competent manufacturer, but it will also need to manage the international marketing, distribution, and servicing of its products. Few local firms have the skills and resources to take on all these challenges on their own. An MNC parent or an affiliate is likely to be in a better position to establish corporation provides both knowledge of international market's conditions and access to foreign marketing and distribution networks. Moreover, MNCs are often larger than local firms and may be able to afford the high fixed costs for developing of transport, communications, and financial services that are needed to support export activities.

By examining the impact of FDI on the host countries' trade performance, it is useful to distinguish between direct and indirect effects. As far as direct impact on host country's exports, it is divided into four different categories according to production characteristics. (Helleiner, 1973)

- Local raw material processing.
- Conversion of import - substituting industry to exporting.
- New labor intensive final product exports and
- Labor intensive process and component specialization within vertically integrated international industries.

In addition to the export influences that require some type of linkage between MNC and local firms, there may also be several indirect effects that benefit local export performance. In the simplest case, local firms may learn how to succeed in foreign markets simply by copying MNCs although more tangible externalities are usually needed. For instance, MNCs may have affiliated firms in the prospective export market who can lobby for trade liberalization, and local firms may benefit from any reductions of trade barriers that are achieved. MNCs may also train their local staff in export managements and these skills may spillover to local firms if the MNCs employees change jobs. Other channels for the diffusion of information of foreign market conditions are trade associations and other industry organizations.

**5- Competitive and Anti-Competitive Effects**

It was argued earlier that MNC's may improve industrial efficiency and resources allocation in their host countries by entering into industries where high entry barriers reduce the degree of domestic competition. The entry of MNC into these monopolistic industries is likely to raise of competition and force existing firms to become more efficient. Foreign entry may also lead to a fall in the number of firms in the industry if the least efficient local companies are forced out of business. This raises the fear that foreign MNCs may out complete all local firms and establish monopolies that are even worse than the domestic oligopolies they replace; in addition to restricting competition, there is a risk that MNC monopolies may also repatriate profits and avoid taxation through transfer pricing.

However, it is likely that competition generally becomes more fierce, because the MNC affiliate's strategies typically stirrup the establishing patterns of "gentlemanly competition". Hence, it is said that "whatever the market structure that results from the influence of direct investment, it can be argued that entry by a foreign subsidiary is likely to produce more active rivalries behavior and improvement in market performance than would a domestic entry at the same initial scale. (Caves, 1971)

## IV. 2 What Makes a Country Attractive to FDI

There are many factors that can make a country attractive from the viewpoint of global investors or foreign Direct Investors (FDI). Generally global investors consider two separate sets of variables and both sets are prerequisites. The first group is made of what may be called the institutional background of an attractive investment climate. The second group is more directly related to doing business with a country's supply of economic and human resources. (Charles, 2000)

### IV. 2.1 The institutional background

For a country to be attractive, a set of institutional prerequisite has to be fulfilled.

- Political and marco economic stability;
- A transparent, stable, and non-discriminatory legal and regulatory environment; and
- Finally, bureaucratic procedures and intuitional rigidities must be banned.

### IV. 2.2 The Economic and Social Background

The economic and social background is becoming primarily important when a global investor is doing business to do in a country with a good institutional background. Generally speaking there are five main groupes of economical and social factors that are necessary to make a country attractive

- A big and growing market
- An efficient communication system is a key factor for MNCs to efficiently operate far-flung subsidiaries in the rest of the world, as well as the home office;
- A qualified labor is another major attractive advantage from a global investors viewpoint;

- The presence of efficient local firms is at first sight an expansion of the qualified labor force argument, but in fact is covering an increasingly important dimension of a Country's attractiveness value;
- Privatization programs are also an investment opportunities, for most of the firm's operating globally;
- Fiscal incentives (tax holidays or subsidies) cannot be a substitute for a country's lack of attractiveness, except for investors who are putting financial profitability above economic profitability; and
- Skilled human resources are still a concern. One of the problems that companies face in the first few years of their FDI in the Jordan is the availability of skilled workers. Despite 20 years of industrialization more than 70% of university graduates in Jordan are in social science, not technology.

**IV. 3 General Obstacles of FDI:**

Consolidated List of Obstacles Investment as Identified by the Business Sector. (ASEM, 2002)

**1- Transparency**

- Lack of transparency in government regulations in particular for entrance authorization, for issuance of licenses.
- Lack of predictability as to the modalities of implementation of regulations, as to the regulations to be issued.
- Up-to- date information about the host country's investment regime not readily available.
- Delay in and denial of granting of visa.
- Burdensome procedures.
- Lack of inadequacy of competition laws and/ or their enforcement.

**2- Non Discrimination**

- Restrictions on foreign ownership and foreign ownership ceilings.
- Restrictions on foreign owned companies' activities and licenses.
- Restrictions on or prohibition of investment in some sectors .
- Restrictions on activities involving foreign companies.
- Restrictions on foreigners' acquisition of real estate properties.
- Restrictions on foreign exchange and repatriation of profit and capital.
- Restrictions on accessing government procurement market.

**3- Taxation**

- Double taxation.
- Excessive compliance expenses.
- Capital tax.
- Transfer pricing.

**4- Performance Requirement**

- Requirements concerning local contents, exports and/or technology transfer.
- The obligation to firm joint ventures with local partners.

**5- Corporate Finance/Governance**

- Local financing difficulties.
- Measures on capital flows and foreign exchange related to balance of payments (BOP) problems and which affect FDI.
- High interest expenses or real estate rents .
- Lack of implementation of internationally accepted accounting standards.

**6- Presonnel System**

- High employment cost.
- Lack of skilled labor.
- Restrictive and burdensome requirements imposed on the employment of management personnel, such as limitation on the number of intra-corporate, transferees, difficulties of recruitment of various categories of staff because of national preference .
- Inflexibility of personnel system including employment and discharge .
- Social system not facilitating expatriation of staff (Problem of authorization of work for the accompanying family etc).

**7- Business Environment**

- Political risk.
- lack of inadequacy of vital infrastructure.
- Lack of appropriate of intellectual property law's enforcement.
- Lack of adequate bankruptcy law.
- Lack of competition law to ensure loyal competition .
- Excessive of high environmental standards, forming barriers to investment.
- Different trade practices, cultural differences, language barriers .
- Restriction on legal services regarding to laws of other countries by foreign layers.
- Restriction on retail store.
- Barrier to the telecommunication infrastructure .

**IV-4. Importance of FDI:**

(Stewart, 2004) argued that FDI provide the following for the host country

1- Incoming Firms introduce advance technology which will spread out within the domestic country;
2- Uncompetitive domestic businesses within the economy are challenged by FDI and have to respond;
3- With a clear link between external investment and the growth of domestic investment, evidence indicates that the level of local investment matches that of external investment;
4- FDI provides for export growth, this noticeably has positive impact on the hos country's trade balance and foreign exchange earnings; and
5- FDI is generally a more robust mechanism, in recession or economic crisis, bank lending and portfolios investment are likely to diminish while foreign direct investment is a long-term commitment.

## IV-5 Trends of in Foreign Direct Investment in Jordan

In Jordan, FDI inflows dropped considerably from $361 million in 1997 to $310 million in 1998, and to $158 million in the year 1999,
and in the year 2000 reached to $3000 million as shown in table (1-1) according to UNTCTAD report (2001) which was the result of several joint venture agreement with foreign partners in the Mining sector and significant participation in the Tourism sector.

**Table 1-1**

Foreign Direct Investment Flows 1997/2002

| Country | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|
| Jordan | 361 | 310 | 158 | 3000 |
| Algeria | 7 | 5 | 7 | 6 |
| Egypt | 891 | 1076 | 1065 | 1235 |
| Morocco | 1079 | 329 | 847 | 201 |
| Tunisia | 336 | 670 | 368 | 781 |
| Bahrain | 329 | 180 | 448 | 500 |
| UAE | 232 | 253 | 13 | 100 |
| Kuwait | 20 | 59 | 72 | 16 |
| Lebanon | 150 | 200 | 250 | 180 |
| Oman | 65 | 101 | 21 | 62 |
| Qatar | 418 | 347 | 144 | 303 |
| Saudi Arabia | 3044 | 4289 | 782 | 1000 |
| Syria | 80 | 80 | 91 | 84 |
| Total | 7042 | 7899 | 2702 | 4768 |
| Developing Countries | 187352 | 188371 | 222010 | 240167 |
| World | 477918 | 692544 | 1075049 | 1270764 |

**Source: UNCTAD, World Development Reports, 2001**

Foreign investor's interest in Jordan is growing as the country makes progress in privatization and economic reforms programs. The EU Association Agreement and the extremism of QIZ privileges to additional industrial estates in Jordan was hopefully encouraging more foreign Direct Investment (FDI) in Jordanian manufacturing activities over the coming years. (Henry. Azzam, 2003).

Jordan is considered to be an attractive to FDI, where integration efforts led to a significant increase in new FDI , a surge in FDI into Jordan qualified Zone (QIZ) was motivated by the country's privileged access to the United States market for goods produced in those qualifying zones.

Jordan saw its net FDI flows dropping by 44 percent in the year 2002 over the year 2001 from $100 million in 2001 to $56 million in 2002. (Azzam. 2004)

FDI flows from Arab countries to Jordan decline from $27.6 million in 2001 to $21million in 2002.

## V. Research Methodology:

An exploratory research method, using a self administerd questionnaire, is the basic design for this study. In addition, personal interviews were conducted with some officials and employees of foreign companies operating Jordan in order to get first hand information for the research purpose.

The questionnaire contained questions divided into two main parts: Part (A) deals with the perception of Foreign Direct Investors towards the political conditions in Jordan, Government regulations, Economic conditions, Finance and Banking issues, Infrastructure and Social conditions in Jordan. These categories are designed with the reference to

Investment Promotion Law enacted by the Government of Jordan and through the advice of experts in this field, in order to judge the real perception of foreign Direct Investors toward the promotions provided by the Government of Jordan. The questionnaire was a forced likert scale questionnaire, which is dimensioned in nature.

The second part of the questionnaire deals with the demographic information of Foreign Direct Investors (FDI) in Jordan.

In addition to the above research method, secondary source of data was utilized for the purpose of this study. Literature review regarding the earlier studies was considered and Investment Promotion Law enacted by Government of Jordan was also considered for this study. Other sources such as Books, articles, researches and journals were reviewed to make this study more effective and efficient. This means that for this study, both secondary and primary sources of data were utilized.

**VI . Research hypothesis:**

Based on the literature review discussed earlier, the following are hypothesis of this study.

1- "Government regulations facing FDI in Jordan is considered to be a promotional one for FDI in Jordan".

2- "Economic Conditions of Jordan is considered to be a promotoinal one for FDI in Jordan".

3- "Finance and Banking Issues are considered to be a promotional factor for FDI in Jordan".

4- "Infrastructure Facilities Provided by Jordan Government is considered to be an promotional for FDI in Jordan".

5- "Social condition in Jordan is a promotional issue for FDI in Jordan".

**VII. Research's Sample Design:**

Based on the role the Governmental of Jordan plays in motivating FDI in Jordan, and subsequently the FDI plays in economic and social development of Jordan, the Foreign Direct Investors were the sample design for this research study.

A random sampling technique was employed in which (60) questionnaires were distributed upon foreign Direct Investors in Amman and Zarqa Companies which were selected from (QIZ) and out of QIZ.

The questionnaires were self administered by the researchers themselves where in the questionnaires were distributed by them to the responsible officers and managers of such projects and some of them filled the questionnaire directly and some asked for time period of one to two weeks and later on returned to the researchers. Before administering the questionnaire, researchers explained the purpose of the questionnaire to the respondents in order to have a clear information.

**VIII. Response Rate**

Out of the 60 questionnaires administered to the sample of Foreign Direct Investors (4)of them were partially in complete in some sections of the questionnaire and (6) of the respondents did not reply at all. The final sample of this study contained only 50 questionnaires which were completely and fully filled in all the sections of the questionnaire, which indicate a 83.33 percent response rate For this research.

**XI- Questionnaire Analysis :**

The filled questionnaires were analyzed statiscally through likert scale in which a weight was given to each scale (i.e Poor = 1 , Fair = 2, Cannot decide = 3, Good = 4 and Excellent = 5).

Different statistical tools were used to test the hypthesis of this study, where in for each hypothesis a combination of questions were used and tested. The SPSS grogram was the main tool used for statisical analysis of this study in which one – Sample Test technique was used to test the hypothesis. As far as the demographic characteristies of FDI is in Jordan a simple frequency analysis was conducted.

**A- Demographic Characteristies of the sample :**

In this section of the study an analysis of the demographic features of foreign Direct Investors operating in Jordan is conducted.

As far as the number of years of FDI's operating in Jordan the study reveals that the majority of FDI operating in Jordan are in business for a period of 6-10 years, which accounts for 44 percent of the total FDI in Jordan, as shown in table 1-2 .

**Table 1-2**
**FDI's Number of years in Business**

| | Number | Frequency |
|---|---|---|
| 1-5 years | 3 | 26% |
| 6-10 years | 22 | 44% |
| 11-20 years | 8 | 16% |
| More than 20 years | 7 | 14% |
| Total | 50 | 100% |

As far as the nature of FDI operating in jordan the study concluded that majority of FDI operating in Jordan are in the manufacturing field, 20 percent in the health field and 14 percent in tourism field as table 1-3, show table 1-3

**Table 1-3**
**Nature of FDI company**

| | Number | Frequency |
|---|---|---|
| Manufacturing | 23 | 46% |
| Environmental | 2 | 2% |
| Health | 10 | 20% |
| Telecommuncation | 1 | 4% |
| Educational | 2 | 4% |
| Banking | 7 | 14% |
| Other tourism | 5 | 10% |
| Total | 50 | 100% |

As far as the objective of FDI in opening business in Jordan the study reveals that 32.4 percent of the total respondent FDI in Jordan are operating in Jordan for the purpose of increasing profitability, another 22.6% of them are operating to attain the ojective of growth; another 18.5 percent are operating in Jordan for re-export objective as shown in table 1-4

**table 1-4**
**Objective of FDI business in Jordan**

| | Number | Frequency |
|---|---|---|
| Growth | 28 | 22.6% |
| Profitability | 40 | 32.4% |
| Export | 15 | 12% |
| Increasing the sales in Jordan | 18 | 14.5% |
| Re exporting | 23 | 18.5% |
| Total | 124 | 100% |

## B. Hypothese Testing

**Table 1-5**
**One sample Statistics**

| | N | Mean | Std. Deviation | Std. Error mean |
|---|---|---|---|---|
| VAR00001 | 50 | 31.0800 | 8.42213 | 1.19107 |

**One – Sample Test**

| | Test Value = 27 | | | | | |
|---|---|---|---|---|---|---|
| | t | df | Sig. (2-tailed) | Mean Difference | 95% Confidence Interval of the Difference | |
| | | | | | Lower | Upper |
| VAR00001 | 3.425 | 49 | 0.001 | 4.0800 | 1.6865 | 6.4735 |

### 1) Testing First Hypothesis :

As far as the first hypothesis of this study. The data shown in table 1-5 which indicates that according to testing hypthesis rule, where degree of freedom = 95% (a = 0.05) and the significant value sig < 0.05 as shown in table 1-5 we accept the alternative hypothesis in which there is a relationship between government regulations and encouragement of foreign Direct Investment in Jordan. This was tested through examining nine statements of the questinnaire which reflects the taxation system of Jordan for FDI, Jordan equities, Jordan exployment regulations, restriction on investment in certain sectors, ownership of property, transperancy of govement regulations, subsidies offered to the local business people compared to Foreign investors, Bankruptcy protection law and Patent law.
This indicates that the government of Jordan regulations are a promotional incentive for Foreign Direct Investors in Jordan which attracts more FDI to Jordan.

**Table 1-6**
**One sample Statistics**

| | N | Mean | Std. Deviation | Std. Error mean |
|---|---|---|---|---|
| VAR00002 | 50 | 24. 1000 | 6.911205 | 86437 |

**One – Sample Test**

| | Test Value = 24 | | | | | |
|---|---|---|---|---|---|---|
| | t | df | Sig. (2-tailed) | Mean Difference | 95% Confidence Interval of the Difference | |
| | | | | | Lower | Upper |
| VAR00002 | 0.116 | 49 | 0.908 | 1000 | -1.6370 | 1.8370 |

## 2. Testing The Second Hypothesis:

The second hypothesis which states that the economic conditions are a promotional issues for FDI in Jordan. To test this hypothesis eight statements are considered which are per capita income, GDP & GNP, exchange rate and its stability , tax holidays, Disposal income, membership in WTO, level of inflation and availability of natureal resourses.

Information shown in table 1-6 indicates that according to testing hypothesis rule, where the degree of freedom 95% (a = 0.05) the significant value = 0.908 > 0.05, we reject the alternative hypothesis in which there is no relationship between the economic conditions and encouragement of Foreign Direct Investors in Jordan.

This indicates that the economic condition in Jordan is considered to be an obstacle facing FDI in Jordan.

**Table 1-7**

**One sample Statistics**

| | N | Mean | Std. Deviation | Std. Error mean |
|---|---|---|---|---|
| VAR00003 | 50 | 17.5600 | 4.40389 | 0.62280 |

**One – Sample Test**

| | Test Value = 12 | | | | | |
|---|---|---|---|---|---|---|
| | t | df | Sig. (2-tailed) | Mean Difference | 95% Confidence Interval of the Difference | |
| | | | | | Lower | Upper |
| VAR00003 | 4.110 | 49 | 0.000 | 2.5600 | 1.3084 | 3.8116 |

## 3. Testing The Third Hypothesis :

The third hypothesis which states that the Finance and Banking variables are considered to be a promotional and incentive for FDI in Jordan. To test this hypothesis five statements are examined which are Free Convertibility of profits into Dollars and/or other currency , provision to repatriate profits to home country, availability of working capital, Interst rate, and accounting policies and rules of Jordan toward FDI.

Data shown in table 1-7 indicates that according to testing hypothesis rule. Where the degree of freedom = 95% (a = 0.05) the significant value > 0.05 , we accept the alternative hypothesis in which there is a relationship between the Banking and Finance variables and the encoutagement of FDI in Jordan which attracts more FDI in Jordan.

**Table 1-8**

**One sample Statistics**

| | N | Mean | Std. Deviation | Std. Error mean |
|---|---|---|---|---|
| VAR00004 | 50 | 17.7000 | 4.61254 | 0.65231 |

**One – Sample Test**

| | Test Value = 15 | | | | | |
|---|---|---|---|---|---|---|
| | t | df | Sig. (2-tailed) | Mean Difference | 95% Confidence Interval of the Difference | |
| | | | | | Lower | Upper |
| VAR00004 | 4.139 | 49 | 0.000 | 2.7000 | 1.3891 | 4.0109 |

**4. Testing The Fourth Hypothesis :**

The Fourth hypothesis states that Infrastracture facilities provided by Jordan Government is considered to be an incentive and promottional issue for FDI in Jordan. To test this hypothesis five statements are considered which are availability of free ports, government invesment in development of roads and rail network, transportation and communication networks, availability of freetrade zones, availablity of lands, and availability of tecnology and R & D centers in Jordan.

Data shown in table 1-8. indicates that according to testing hypothesis rule. Where the degree of freedom = 95% (a = 0.05) the significant value < 0.05, we accept the alternative hypothesis in which there is a relationship between Infrastructure facilities provided by Jordan Government and encouragement of FDI in Jordan. Which attracts more FDI in Jordan.

**Table 1-9**

**One sample Statistics**

| | N | Mean | Std. Deviation | Std. Error mean |
|---|---|---|---|---|
| VAR00005 | 50 | 13.9800 | 4.13788 | 0.58518 |

**One – Sample Test**

| | Test Value = 12 | | | | | |
|---|---|---|---|---|---|---|
| | t | df | Sig. (2-tailed) | Mean Difference | 95% Confidence Interval of the Difference | |
| | | | | | Lower | Upper |
| VAR00005 | 3.384 | 49 | 0.001 | 1.9800 | 0.8040 | 3.1560 |

**5- Testing The Fifth Hypothesis**

The fifth hypothesis states that social conditions are considered to be a promotional factor encouraging FDI in Jordan. To test this hypothesis four statements are considered which are as follows, quality of education and availability of graduates, availbility of skilled labors, growth rate of population, social customs and people perception towards foreign investors in Jordan.

Data shown in table 1-9 indicates that according to testing hypothesis rule, where the degree of freedom = 95% ( a- 0.05), the significant value < 0.05, we accept the alternative hypothesis in which there is a relationship between social conditions in Jordan and encouragement of Foreign Direct Investment in Jordan, which attracts more FDI in Jordan.

**Table 1-10**

**One sample Statistics**

| | N | Mean | Std. Deviation | Std. Error mean |
|---|---|---|---|---|
| VAR00006 | 50 | 113.6600 | 23.13810 | 3.27222 |

**One – Sample Test**

| | Test Value = 12 | | | | | |
|---|---|---|---|---|---|---|
| | t | df | Sig. (2-tailed) | Mean Difference | 95% Confidence Interval of the Difference | |
| | | | | | Lower | Upper |
| VAR00006 | 2.647 | 49 | 011 | 8.6600 | 2.0842 | 15.2358 |

**Conclusion**

Based on the analysis of the present study the following are the findings and conclusions:

1- Majority of Foreign Direct Investors operating in Jordan are in Business for a period of 6.10 years which indicate a positive issue influncing Jordanian companies to be affected by them to improve their efficiency.
2- Majority of Foreign Direct Investors are operating in Jordan to attain the goal of profitability, growth, and re-exporting.
3- Majority of Foreign Direct Investors are operating in manufacturing field, followed by Banking and health sectors.
4- The study indicates that Foreign Direct Investors are satisfied with the government regulation of Jordan government and it is attracting them to invest directly in Jordan.
5- Majority of FDI operating in Jordan are not happy with the economical conditions prevealing in the Kingdom which is mainly due to the conditions taking place in the region at the time of conducting this study.
6- Finance and Banking variables are consiered to be an incentive for FDI in Jordan as the study reveals.
7- Foreign Direct Investors are happy with Infrastructure facilities provided by Government of Jordan.

**Recommendations:**

Based on the above analysis and conclusions the researchers suggest the following recommendations.

1- The government of Jordan should maintain its regulation and foster it in order to attract more FDI to Jordan. This can be done by reducing taxes, customs and tarrifs imposed on FDI, easing the restrictions on FDI and making goernment regulations more transparence for FDI.
2- The study reveals that the economic conditions of Jordan is not satisfying, the government of Jordan can make all possible arrangemtns to foster the economic conditions by increasing per capita income, decreasing the level of inflatoin and supporting GDP of the country .
3- To attract more FDI to Jordan, government of Jordan should invest more in Research and development programs and invest in the Infrastructure facilities such as development of roads, rail network, transportation, since most of FDI are operating for re – export purpose.

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