Unlocking the Potential in Jordan
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WELCOME

As a quiet sea in the midst of regional turbulence, Jordan is located in the heart of the Middle East and Northern Africa (MENA). Despite the situation in the neighboring countries, Jordan has remained peaceful and stable and continues to offer positive economic growth rates.

As an open economy with well-developed infrastructure, Jordan offers attractive business possibilities and represents an entry point for many countries in the region. The country has thus emerged as the business capital of the Levant – partly following the implementation of liberal economic policies including privatization, liberalization of trade and investment procedures, elimination of trade barriers and reduction of import tariffs, encouragement of foreign and private sector investments, as well as more equal treatment of Jordanian and non-Jordanian investors.

Jordan pursues a policy of international free trade and has a number of trade agreements with countries in the region as well as with the United States and the European Union. This makes the country an open economy relatively speaking which is a clear advantage to foreign investors.

Attractive business opportunities arise especially in sectors where Denmark is considered a global leader, e.g. renewable energy, energy efficiency and clean tech in general. Investment in these industries is supported by increasing government commitment towards Jordan’s green transition.

The wide range of promising business opportunities offered in Jordan combined with a predictable and stable business environment means that the basis for a successful investment journey is established.

Let’s unlock the potential in Jordan!

Svend Wæver
Ambassador at the Royal Danish Embassy in Lebanon, accredited to Jordan and Syria
Jordan has a clear potential for investment because, at large, the Jordanian economy remains better diversified than others in the region. The country is a relatively open economy with sound institutional and regulatory framework, and an educated workforce which altogether supports the growth of an industrial and commercial community. Moreover, Jordan is ranked by the World Bank Group in the top third of all countries and the top five Middle Eastern and North African (MENA) countries for ease of trading across borders. This is amongst other things aided by several bilateral and multilateral free trade agreements.

Currently, Jordan’s political state is affected by the conflict spillovers from neighboring Syria. This also entails the influx of a large number of refugees who add pressure to the Jordanian labor and housing market. Nevertheless, the increased consumption fueled by refugees may to an extent contribute to the recovery of the economy.

Jordan Chamber of Industry (JCI) acts as a liaison between local and international chambers, as well as associations and federations. Most importantly, JCI is a port of call for all those wishing to do business in the country and unlocking their potential. We help investors by guiding them to the main investment opportunities in the industrial sector, i.e. by conducting feasibility studies and linking them with the investment commission (one stop shop) to facilitate registering and licensing the company.

We welcome you to our country and look forward to unlocking the potential together.

Maher Al-Mahrouq, PhD.
Director General
Jordan Chamber of Industry
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# JORDAN AT A GLANCE

<table>
<thead>
<tr>
<th><strong>Official name</strong></th>
<th>Hashemite Kingdom of Jordan</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capital</strong></td>
<td>Amman</td>
</tr>
<tr>
<td><strong>Major cities</strong></td>
<td>Amman, Zarqa, Irbid, Kerak</td>
</tr>
<tr>
<td><strong>Institutional system</strong></td>
<td>Constitutional monarchy</td>
</tr>
<tr>
<td><strong>Administrative divisions</strong></td>
<td>12 governorates</td>
</tr>
<tr>
<td><strong>Area</strong></td>
<td>89,342 km²</td>
</tr>
<tr>
<td><strong>Time zone</strong></td>
<td>GMT +2 (winter) and GMT +3 (summer)</td>
</tr>
<tr>
<td><strong>Currency</strong></td>
<td>Jordanian dinar (JOD); pegged to USD at a rate 1 JOD = 1.42 USD</td>
</tr>
<tr>
<td><strong>Official languages</strong></td>
<td>Arabic; English is widely spoken</td>
</tr>
<tr>
<td><strong>Religion</strong></td>
<td>94% Muslim and 6% minorities, primarily Christian</td>
</tr>
<tr>
<td><strong>Population</strong></td>
<td>6.7 million (2014)</td>
</tr>
<tr>
<td><strong>Urban population</strong></td>
<td>83.4% of total (2014)</td>
</tr>
<tr>
<td><strong>Share of population below 15 years</strong></td>
<td>35.8% of total (2014)</td>
</tr>
</tbody>
</table>

Sources: Economist Intelligence Unit; Jordan Investment Commission; World Bank World Development Indicators
Why Jordan is a promising market

A strategic location
Jordan’s location in the Middle East and North Africa (MENA) region makes it an attractive point of access to nearby markets. Jordan has borders with Syria in the north, Iraq – in the North-East, Saudi Arabia – in the South-East, as well as with Israel and Palestine in the West. Furthermore, Egypt is quickly and easily reachable by ferry from the port of Aqaba on the Red Sea coast in the Southern part of Jordan. Jordan’s numerous Free Trade Agreements (FTAs) provide access to a wide range of markets and consumers in the MENA region.

An open economy
Since 2000, Jordan is a member of the World Trade Organization (WTO), which guarantees smooth trade flows with Jordan’s partners and ensures that the country’s trade policies are in accordance with international standards. Jordan is also a member of the Greater Arab Free Trade Agreement (GAFTA), which covers 17 Arab countries in the MENA region and eliminates customs duties among the members. Besides, Jordan is a member of the Agadir Agreement – an FTA between Egypt, Jordan, Tunisia and Morocco. Jordan has also signed the ‘Framework Agreement on Trade Preferential System among the Member States of the Organization of Islamic Conference (TPS-OIC)’, which has been ratified by 23 Islamic countries and aims at establishing preferential trade policies among the members. Finally, Jordan has signed FTAs with the EU (Jordan-EU Association Agreement), EFTA (Iceland, Liechtenstein, Norway, and Switzerland), USA, Canada, Singapore and Turkey. Overall, Jordan’s trade agreements prove that it is an open economy with access to key markets.
Economic prospects

The nominal GDP of Jordan amounted to around $36 billion in 2014\(^1\). Even though Jordan’s economic growth slowed down during the financial crisis, a recession was avoided, in contrast to many of the world’s economies. In 2005-2007, Jordan’s real GDP expanded by more than 8% annually and it is still growing at about 2-3% each year. Economic growth is projected to pick up in the next few years, mostly due to accelerating exports, and is expected to amount to around 4.5% in 2017-2020.

A service-oriented economy

Services account for 66% of Jordan’s GDP, while industry accounts for 30% and agriculture for 4%\(^2\). The inflation rate has fallen recently, from almost 5% in 2010 to 0.2% in 2015, while the unemployment rate has been rather stable at about 12%-13% since 2007. However, nearly a third of all young adults are unemployed – a common problem in the region as the labor market cannot accommodate the growing youth population.

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1. IMF World Economic Outlook, October 2015
2. World Bank World Development Indicators
Major imports and exports

Jordan’s trade volumes have expanded significantly in the last decade. The value of merchandise imports has almost tripled since 2004, while the value of exports more than doubled. In 2014, merchandise imports to Jordan amounted to $22.7 billion, while exports to $8.4 billion\(^3\). The World Bank estimates total exports of goods and services at $15.5 billion and imports at $24.8 billion in 2014.

According to WTO, Jordan’s five main export destinations in 2013 were Iraq (17.5% of total exports), United States (15.2%), Saudi Arabia (12.2%), India (6.1%) and United Arab Emirates (4.0%). However, due to the conflict in Iraq and Syria, Jordanian companies have recently started to look towards new markets such as Africa for their exports. In terms of imports to Jordan, the main partners were EU (21.8% of total imports), Saudi Arabia (18.7%), China (10.4%), United States (6.3%) and India (5.1%). Imported goods are subject to customs duties, which vary by product category.

\(^3\) UN Comtrade
**Consumer spending**

Jordan’s population grew from 5.5 million in 2005 to 6.5 million in 2013 and is projected to reach 7.6 million by 2020\(^4\). Consumer spending is rising accordingly. Per capita consumer expenditure in 2014 was $4996, while total consumer expenditure is expected to amount to 91% of GDP in 2015 and will expand at an average annual rate of 4.4% over the period 2013-2030.

In the last five years, growth in total consumer expenditure was mostly the result of expanding population, while the growth in spending per capita was mostly limited by political instability in the region and the elimination of food and fuel subsidies for poorer households. Middle-aged people are the most attractive age group in terms of consumption. In 2013, 62% of the population with an annual income of more than $150 thousands were people aged 40-54\(^5\). This earning structure is expected to remain in the future, and the share of income earned by the middle-aged population will increase even more.

The main consumption growth in 2008-2013 was observed in hotels and catering (growth of 84%) as well as alcoholic beverages and tobacco (growth of 75%). In the future, growth is expected within education and the hotel industry.

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\(^4\) IMF World Economic Outlook, October 2015
\(^5\) Euromonitor International
Jordan in numbers

MAIN INDICATORS

| Indicator                                                      | Value   |
|                                                               |         |
| GDP at current prices, billion USD, 2014                       | 35.9    |
| GDP per capita, PPP, USD, 2014                                 | 12,050  |
| Average annual real GDP growth, 2010-2014                      | 2.7%    |
| Population, million people, 2014                              | 6.7     |
| Average population growth, 2010-2014                          | 2.2%    |
| Inflation, % change in average consumer prices, 2014           | 2.9%    |
| Average inflation, 2010-2014                                   | 4.2%    |
| Unemployment rate, 2014                                       | 11.9%   |
| Foreign direct investment, net inflows, billion USD, 2013      | 1.8     |
| Exports of goods and services, billion USD, 2014               | 15.5    |
| Imports of goods and services, billion USD, 2014               | 24.8    |

Sources: Jordan Department of Statistics, IMF World Economic Outlook, October 2015; World Bank World Development Indicators; World Trade Organization
Business conditions

Political stability

Jordan is a constitutional monarchy where the King plays an important role. The current King, Abdullah II, has been in power since 1999 and enjoys high popularity. The political situation in the country has been mostly stable, with some protests in 2011 during the Arab Spring. The protests led to a reform program, but the King is not expected to face any major challenges in the near future and will stay in control of the political situation in the country and thus ensure continuous stability.

The situation in neighboring Syria poses obvious challenges, but extremists have a low support in Jordan. Furthermore, Jordan’s government is participating in the international coalition against the Islamic State, carrying out air raids and providing its airfields for coalition partners.

The influx of more than 1 million refugees (the exact number is debated) is causing significant pressure to the already strained country’s resources. With the continuation of the Syrian war, the debate has moved from a question of mere humanitarian assistance to long-term solutions such as inclusion of the refugees to the Jordanian labor market.

Security and corruption

Corruption in Jordan is not a significant problem – the country ranked 55 out of a total of 175 countries in 2014\(^6\). Jordan’s Anti-Corruption Commission helps in this regard: it is responsible of containing corruption in Jordan in both the public and private sector, and companies may file complaints if facing corruption cases. The two main security risks in Jordan are the jihadi groups and the tensions between Israel and Palestine. In terms of the former, the government’s fight against the Islamic State has been successful so far and there is almost no support for jihadi groups in the country. However, the deteriorating situation in Syria has led Jordan to closing its border with the country, which was the main trade route to Eastern countries, while Iraq has also closed its border with Jordan in July 2015 due to the fight with Islamic State. The second risk to stability in Jordan is the Israeli-Palestinian conflict: due to the strong ties with Palestine, Jordanians are highly affected if the situation deteriorates.

\(^6\) Corruption Perceptions Index by Transparency International
Access to labor

Jordan is a country with almost complete population literacy: in 2012, 98% of adults aged 15 and above were literate. Jordan has a large pool of high caliber intellectual and professional expertise and is a major supplier of brainpower to neighboring MENA countries.

Nevertheless, unemployment rates remain high at 12-13%. Youth unemployment is particularly high, reaching well above 20% in several regions. As in all other MENA countries, Jordan suffers from low female employment rates – currently around 13%.

Overall, the labor market in Jordan has few rigidities, but certain structural problems occur. For example, skill shortages in the IT and business consulting services can be felt because of emigration to wealthier Gulf countries and the lack of focus on these skills in education.

🎯 FACT

- Working week: maximum 6 days, eight hours per day, total 48 hours per week
- Weekend: Friday and Saturday (although the private sector often works Saturday)
- Minimum monthly wage: $268
- Annual paid leave: 14 days (or 21 days for a person who has worked for the same company for more than five years)
- Retirement age: 60 for men and 55 for women
**Inequality of income**

Income inequality in Jordan is rather high with 10% of households controlling more than 30% of total disposable income. 14% of Jordan’s population lived below the national poverty line in 2010 and as is usual, wealth is concentrated in urban areas.

**Tax system**

The standard corporate tax rate for resident companies is 20%, but it varies from sector to sector – the industrial sector is 14%. Non-resident companies must pay a withholding tax of 10% on all services provided in Jordan. The standard VAT rate is 16%, but some items are exempt, while luxury items are taxed at a higher rate. Income taxes for individuals are progressive and range from 7% to 20%. There is no religious tax in Jordan.

**Business climate and regulation**

The World Bank’s Doing Business 2016 report ranked Jordan as the 113th country out of 189 in terms of the ease of doing business. In terms of starting a business, Jordan was ranked 88th. According to the ranking, starting a business in Jordan requires going through seven procedures and takes 12 days: it involves opening a local bank account, registering at the Ministry of Industry and Trade, applying for tax registration, registering at the Chamber of Industry or Chamber of Commerce, obtaining a license from the local municipality, going through a health and safety inspection by the municipality as well as registering for social security. As part of the Investment Law of 2014, the government decided to establish a One Stop Shop that helps investors to acquire all the licenses in one place – please see the box “Jordan Investment Commission” below.
The Investment Law also specifies that a foreign investor is granted equal treatment with local investors and can own a part of the business as well as the full share, except for foreign companies in some trade and contracting sectors that have to enter into a partnership with a Jordanian company (for example, in the retail sector). Furthermore, the law guarantees a foreign investor the right to freely transfer abroad any profits or invested capital. There are also no requirements for mandatory employment of local labor force, and foreign companies can hire all the employees themselves.

Investment is promoted in special areas, which grant different exemptions for investors: there are 12 Industrial Estates, 5 public Free Zones and many private ones as well as the Aqaba Special Economic Zone. In Industrial Estates, for example, projects are exempt from income and social services taxes for two years and completely exempt from land and building taxes. In Free Zones, income from exported goods is exempt from income taxes, among other things.

**Access to finance**

The financial sector has been developing rapidly in Jordan. There are more than 20 commercial banks, and foreign residents can open deposit accounts without any obstacles. The private equity market is also growing, with six private equity funds that plan to invest more than $3 billion in Jordan.

Furthermore, the government manages several investment funds that provide financing to companies and projects. For example, the Social Security Investment Fund, operated by the Social Security Corporation, has invested in more than 100 public and private companies. The Governorate Development Fund, managed by the Jordan Enterprise Development Corporation, finances small and medium-sized projects that foster economic development. The King Abdullah II Fund for Development provides support for infrastructure development projects, invests in key economic sectors and provides start-up funding.
Good to know...

○ **Labelling:** Local importers are responsible for informing foreign suppliers of any applicable labelling requirements. All labelling and safety instructions should be in Arabic. Production and expiry dates must be printed on the original label or on the container by the manufacturer.

○ **Intellectual Property Rights (IPR):** Registration of copyright, patents and trademarks is required. Copyrights are registered at the National Library and patents are registered with the Registrar of Patents and Trademarks, which is a part of Jordan’s Ministry of Industry and Trade. It should be noted that the current standards of IPR protection in Jordan can be problematic. Consulting a law firm specialised in IPR is recommended.

○ **Customs:** Customs tariffs on different products and commodities can be found on the Customs Department website. A customs declaration is required. Only an authorised forwarding agent in Jordan can process the declaration and it must be filed electronically.

○ **Shipments to Jordan:** Exporters are required to provide (i) certificate of origin, (ii) commercial invoice and a transport bill (e.g., airway bill or bill of lading), (iii) packing list and full description of goods, (iv) health and quality certificate (if applicable).

○ **Standards:** The Jordan Institution for Standards and Metrology is the official body in Jordan for issuing standards and ensuring that companies adhere to them.
Jordan Investment Commission (JIC)

Jordan Investment Commission was created in 2014 as the single government institution responsible for improving Jordan’s investment climate, attracting investors and supporting exports. The agency acts as a single point of reference for all investing opportunities. The main services provided by JIC are:

- Provision of information about investment prospects, key sectors, etc.
- Matching investors with relevant investment opportunities
- One-stop-shop for information about Jordan’s policies and regulations, registration requirements, financial exemptions, etc.
- Help with acquiring necessary licenses, approvals, etc.
- Post-investment advice

Investment Fund for Developing Countries (IFU)

Investment Fund for Developing Countries is an independent, government-owned fund that provides risk capital to Danish companies entering developing markets as well as advice during the first few years of operation in the foreign country. IFU’s investments are made through equity capital, loans or guarantees: funds are provided on a commercial basis and not in the form of aid. IFU also manages different investment funds, such as the Arab Investment Fund, the Danish Climate Investment Fund and the IFU Investment Partners fund. So far, IFU has invested in more than 100 countries and almost 1200 different projects with a total value of 155 billion DKK, 17 billion DKK of which were contributed by IFU.
Jordan has one of the largest demands for renewable energy development in the Middle East. Due to lack of oil and gas reserves it imports as much as 96% of its energy consumption. Furthermore, gas supplies from Egypt, which satisfy 40% of the energy need, have been unreliable recently. Unstable supply has led to substantial increases in energy spending as imported fuel is expensive. Renewable energy is a cheaper alternative and would decrease the dependence of energy supply from other countries. The government plans to produce as much as 30% of all energy locally by 2020, and renewable sources can play an important role in reaching this target.

The conditions for renewable energy are also great in the country. Solar energy is an attractive energy source as Jordan has more than 300 sunny days per year, while solar radiation is also one of the highest in the world due to the country’s geographical location. The use of wind energy has large potential as well as some areas of Jordan have strong winds. The government forecasts that renewable energy generation should amount to 10% of all generation by 2020 with a capacity of almost two gigawatts.
Energy policies and regulations

Increasing private sector participation and promoting the use of renewable energy are among the focus areas of Jordan’s National Energy Policy. Some of the key energy initiatives and policies are highlighted below:

- An exceptional feature of Jordan’s regulations is that the government (through the National Electric Power Company and regional companies) is responsible for covering the cost of grid connection for renewable energy projects.

- Potential renewable energy investors can negotiate directly with the Ministry of Energy and Mineral Resources.

- Renewable energy equipment is exempt from customs duties and sales tax.

- The government-backed Renewable Energy and Energy Efficiency Fund, with support from national and international institutions, provides financing and grants to renewable energy projects.

- In 2012, Jordan was the first country in the Middle East to introduce feed-in tariffs for renewable energy. The tariffs guarantee the price at which energy generated from renewable sources will be sold to the National Electric Power Company.

Major ongoing projects

Significant developments in the renewable energy sector in Jordan are already noticeable. Three rounds of proposal submission to the Ministry of Energy and Mineral Resources have been launched so far. The first round was launched in 2011 and led to the approval of 12 solar power projects and 2 wind energy projects, with feed-in tariffs of 0.11-0.12 JOD/kWh. In 2013, the second round was launched with four solar projects of 50 MW each. This round was characterized by much lower tariffs than the first one (ranging from 0.04 to 0.09 JOD/kWh), signaling the development of the sector and the falling costs of renewable energy generation. Finally, the third round of applications was launched in 2014. The rapid progress of announcing proposal rounds demonstrates the government’s commitment to developing renewable energy in Jordan. Some of the major projects in the sector are presented below.
In addition to solar and wind projects, the government plans to complete waste energy projects with a total capacity of up to 50 MW until 2020.
Lessons Learned in Jordan – Case Studies

As all other emerging markets, Jordan is challenging for foreign investors

How to find the right partner, how to avoid red tape and how to deal with the constant uncertainty are some of the factors that make investors think twice before entering the Jordanian market. The following three case stories aim at outlining experiences made by Danish companies in Jordan with the purpose of providing inspiration and practical advice for foreign investors on market entry, distribution strategies and local operations of a business in Jordan.
The 117 MW Tafila wind power plant has recently been inaugurated.
VESTAS: PIONEERING THE WIND ENERGY MARKET IN JORDAN

About Vestas
Founded in 1898 as a blacksmith shop in Denmark, Vestas started producing wind turbines in 1979. Today, Vestas is the world leader in wind energy with close to 71 GW of cumulative installed capacity and more than 49 GW under service across 74 countries. The company employs more than 19,500 employees worldwide and its total revenue amounted to EUR 6.9 bn in 2014.

Vestas in Jordan
Vestas established its branch in Amman in 2013 in connection with the implementation of the Tafila wind farm, the first utility-scale wind power plant to be built in Jordan and in the region. Comprised of 38 units of the V112-3.0 MW turbine model, the 117 MW Tafila wind farm will have a total estimated annual production of approximately 400 GWh, which will save the environment from more than 225,000 tons of CO2 emissions yearly.

The contract for the Al Tafila wind power plant included the supply, installation and commissioning of the wind turbines, civil and electrical works, a VestasOnline® Business SCADA solution as well as a 10-year customer-tailored service agreement for the optimal performance of the wind power plant. The order was placed by Jordan Wind Project Company (JWPC), a company set up by InfraMed Infrastructure, Masdar and EP Global Energy (EPGE).

Vestas’ office in Amman, which currently employs approximately 15 people, represents an important step for the company to expand its business operations not only in Jordan, but also across the Middle East.

Jordan’s commitment to reduce the country’s dependency on energy imports (currently at 97%) by increasing the use of renewable energy sources has also been a key factor for Vestas to enter the Jordan wind energy market, which offers good growth potential.
Finding the right partner to help us with our administrative work with local authorities and a good local lawyer has been determinant for our success in Jordan

Noaman Al Adhami,
Senior Director Business Development, Vestas Middle East.
Recommendations from Vestas

- Get to know the requirements before doing business. This will save you time in the long run.
- Relationships do matter in Jordan. Remember to nurture your business relations.
- Hierarchy in Jordan is very pyramidal – power is very centralized. In contrast with other Middle Eastern markets, the top is quite accessible.
- Be prepared: although Jordan is an open economy, the high level of bureaucracy can be cumbersome. Selecting the right partner to carry out your administrative work with local authorities can help you overcome the red tape.
GRUNDFOS: NURTURING LOCAL DISTRIBUTORS

About Grundfos
Grundfos is a multinational company with more than 19,000 employees known for its pumps in water and waste water application systems. Grundfos has been active on the pump market for 70 year and is market leader in water and wastewater pumps with 80 companies in 57 countries.

Grundfos Gulf Distribution, located in UAE, Dubai, is the regional office which covers 13 countries (United Arab Emirates, Qatar, Oman, Kuwait, Bahrain, Jordan, Syria, Lebanon, Yemen, Iraq, Pakistan, Iran, and Saudi Arabia). The office’s main responsibility is to support all of the distributors in the region and to handle all sales, after-sales and marketing activities in the region.

Grundfos in Jordan
Grundfos started its engagement in Jordan in 1960 with one local distributor. However, in 1996 a regional office was established in Dubai to support distributors across the region.

In 2006, Grundfos decided to focus more on the Levant (Jordan, Syria and Lebanon) by appointing a local employee in Amman responsible for helping local distributors and supporting them in daily activities as well as understanding market needs and requirements.

Today, 70% of sales go through distributors while the remaining 30% are direct sales. The company has four key account distributors in Jordan, each of them is responsible for developing a specific channel/segment. Grundfos Sales Director with his team in Jordan invest significant time and resources in the relationship building with these key accounts.
Listening to the market
To be strong in the market and to have reasonable growth, Grundfos argues that you should listen to the market and introduce right products and services as well as adapt yourself and your team to match customer and market needs.

Together with its distributors, Grundfos decided to focus more and more on project sales (commercial and municipal projects), by building full engineering team and offering the right products and service.

Jordan is a small market with a limited number of opportunities and tough competition. To be a unique and main player you have to invest in people and after-sales as well as offer a full solution to your partners and clients

Mohammed Arar, Sales Director Jordan Grundfos.

One of the main difficulties is to maintain a cash flow in Jordan and consequently, Grundfos’ main distributors are facing challenges with slow collection of money.

Grundfos is always trying to avoid dealing directly with the governmental sector by cooperating with distributors or project partners to execute these projects. In this way, the company does not have to deal with payment conditions and the risk of money collection.
Recommendations from Grundfos

- Make sure to maintain good and close relationships with your distributors and your main project partners. Spend more face-time with them, rather than keeping in touch via the phone or email.

- Be aware of the high brand loyalty amongst Jordanian consumers. Your reputation means a lot, and word of mouth is the best way to spread the good message about your product.

- Make sure to set goals and KPI’s with your distributors and partners and keep following them quarterly.

- Make sure to improve total customer experience by offering excellent after-sales services.

- Remember Jordanian culture and try to find out the difference between your company and market culture and adapt yourself accordingly.

- Be unique in marketing and after-sales service.
APM TERMINALS: USING JORDAN AS A HUB FOR THE LEVANT AND BEYOND

About APM Terminals
APM Terminals is a global operator of ports and terminals, responsible for 62 ports in 38 countries. The company also operates 135 companies around the world that engage in inland services such as container storage, logistics, transportation and related cargo services. Since 2001, APM Terminals has been an independent company within the Maersk Group, based in The Hague, Netherlands. In 2014, the company’s revenue exceeded $4.4 billion.

APM Terminals in Jordan
In Jordan, APM Terminals operates three major supply chain companies, including:

- Aqaba Container Terminal (ACT) (50% +1 share) in partnership with Aqaba Development Corporation. ACT is the sole gateway for containerised imports and exports to Jordan.
- Soraqia Company (100%), a container storage and transportation company in Amman that stocks and prepares empty containers for exports. It is the leading inland depot in Jordan.
- Aqaba Logistics Village (ALV) (60%) in partnership with the Kawar Group.

The newest of these is Aqaba Logistics Village (ALV), the majority share of which was acquired by APM Terminals in July 2013. ALV is a 25-year concession granted by Aqaba Development Corporation for the development and operation of 47 hectares of land adjacent to Aqaba Container Terminal. APM Terminals operates ALV in partnership with the Kawar Group, a Jordanian company with a history as shipping agents in Jordan stretching back to 1955.
Jordan is well-placed geographically, economically and politically to be the preeminent cargo hub for the Levant and beyond

Neil Mackin, Country Manager at APM Terminals.

ALV is a three-phase project. In 2008, the first phase of the project, covering 140,000 m², was completed. It caters for 100% of less-than-container-load cargo (LCL – container holding items that belong to more than one person) arriving in Jordan in a dedicated container freight station. The facilities also include a 10,000 m² distribution centre, open yard storage and office space for rental.

Phase 2 covering 120,000 m² was inaugurated in November 2015 and is a new concept for Aqaba. It includes a 10,000 m² multi-purpose warehouse and more than 30,000 m² of mixed open and covered storage yards. Events in the region have led to changes in cargo flows and Phase 2 is designed to be flexible enough to adapt to a broad spectrum of requirements. This phase was completely financed by IFU (see info box on page 23). Phase 3 of ALV, including bespoke elements for distributors, is expected to be completed in 2018 and will further expand the current logistics facilities.
ARV services today include:

- Container and cargo truck stuffing and unstuffing
- Warehousing of all cargo types, including high quality racking
- Covered and open yard storage on a variety of surfaces; this caters for cars, timber, industrial inputs, project cargo and containers
- Sorting, picking, palletising, wrapping and other distribution services
- Shunting to and from the port
- Office rental, including mezzanine offices in the warehouse
- Bespoke logistics solutions and business partnerships

ALV is a key element in developing the vision of developing Jordan as a regional hub for the company’s operations. The turmoil in the region has increased Aqaba’s importance as a stable hub.

ALV’s convenient location near Aqaba Container Terminal has already led to its recognition as the most efficient and reliable way to route cargo to Iraq. With this in mind, the Phase 2 warehouse includes 16 ramps with mechanical dock levellers for extra-high cross-docking efficiency and capacity. APM Terminals expects that international companies will be attracted to use Aqaba, and ALV, as a distribution hub due to its service offerings, strategic location, tax status in a SEZ, on-site customs representation and the high standards of safety, sustainability and governance that come with being part of the Maersk Group.
Recommendations from APM

- The line between business and social relationships is more blurred than in Europe. Involving yourself in local activities will advance both personal and professional relationships.

- Be aware of when you should let locals step in to resolve situations. Competing cultural factors can often be difficult for outsiders to fully understand.

- Jordanians have a great respect for hierarchy which can give expatriate managers a good opportunity to make changes where they are needed. Use this opportunity.

- Authority is traditionally highly centralised and most visitors to a company will expect to see the CEO, not one of his reports. Empowerment of employees within companies is a key challenge to undertake.

- Understand the background of the companies you are working with. For example, there are significant cultural differences when working with private companies in comparison with traditionally public entities (or those that are more recently privatised). Similarly, Aqaba has a much more conservative business environment than Amman, which is in general more modern and professional.
The Do’s and Don’ts

To increase the chances of success when doing business in Jordan, a few hands-on and practical recommendations should be considered by companies entering the market. The advice has been gathered through interviews with a number of stakeholders who all have significant experience in the market. These include Danish companies, international organisations, the Royal Danish Embassy, and the Jordan Chamber of Industry.

**Distribution and partnerships**

- Although it is legally possible for a foreign company to take partial or full ownership in distribution (depending on type of business), it is recommended to partner up with a local agent or distribution partner. This may secure valuable insight in the local business practicalities, routines, customs & clearing rules and regulation as well as provide essential contacts and market opportunities.

- Supplying the market through a regional distribution center in Europe may serve as an option if approached appropriately. However, this solution can be more costly if an additional distribution layer is added.

- Due to the size of Jordan, it seems unlikely that more than one or two distribution partners may be needed – depending on the type of business.

- A thorough approach when selecting a Jordanian partner will naturally increase the probability of business success. Make sure that the business partner will serve your needs and requirements (e.g. product portfolio, financial strength, distribution power across Jordan, sales capabilities, etc.), use credentials as background information and make sure that you trust the persons involve. Basic and worldwide necessity.
Distributor contracts should be formalized and all details described. Although standard distributor contracts are available, these shall only be used as guidelines – it is recommended to specify information, terms and other details.

Ensure to team up with the right partner from the beginning. It can be difficult and expensive to part ways and Jordanian courts will usually favor the local partner. Going to arbitration can take months and may prove costly.

Make sure to follow up on incoming payments to avoid potential and costly payment delays.

Beware that the official language in Jordan is Arabic, although English is widely used, and that many company webpages in Jordan may seem less sophisticated compared to the standard in your home country.
Marketing

- The marketing practices in Jordan are equivalent to marketing in nearby markets. Online trade is increasing and marketing activities are starting to focus on online platforms.

- Disregarding online marketing, advertising expenditure is mainly spent through newspapers, radio, TV, magazines and outdoor media (billboards, etc.). TV remains the only universal medium in Jordan – more than 600 channels are available on satellite and 90% of the Jordanian population receives satellite reception.

- Word of mouth is important in Jordan. Consequently, try to ensure good customer experience and facilitate recommendations from consumer to consumer.

- Collaboration with local marketing agencies is recommended to ensure the best possible marketing solution (access to media), marketing content and message (audience, local culture and regulation), layout and production, etc. Local agencies have better access to media.

- Brand loyalty is high on the Jordanian market and consumers are willing to pay a premium for well-known consumer brands within e.g. clothing, FMCGs, electronics, etc.
Management and employees

- It is recommended to collaborate with local consultants and/or to hire local managers up front to secure the right staff and that Jordanian rules and regulations are complied with.

- Be aware that there is a tendency of micro-managing amongst Jordanian managers as trust in employees is often low. If you wish to avoid this, try to encourage that your manager allocates responsibility and practices performance-based management.

- Jordanians tend to accept quite strict hierarchies of power. This means that power is somewhat centralized in an organizational context. However, as opposed to many countries in the region, the top management is usually accessible (depending on your connections, of course).

- Jordanians have a strong solidarity sense. In a business context, this means that conflicts are sometimes avoided in order to maintain a good working relationship with colleagues. Preserving a good working environment is therefore often done at the expense of high performance. Try to avoid raising points of conflict in a direct manner and in front of colleagues.

- Be aware that many Jordanians have a tendency to take agreements somewhat lightly. Follow-up before deadlines is often necessary.

- Jordanians tend to mix professional and personal relations. “Wasta” is widely used when doing business in Jordan (as in many other Arabic countries). The concept loosely translates into ‘favoritism’ in English and means using personal connections to achieve certain objectives. Many business tasks will depend on your, your colleagues’ or your business partner’s wasta.

- Get started early and identify where the bottlenecks are. In almost all business dealings, there are political considerations, multiple stakeholders and a measure of bureaucracy to overcome. 80% of your time will be spent tying up loose ends.
**Legal issues**

- Use a local lawyer and administrative partner that can help you through the at times extensive bureaucracy and the inevitable administrative work with local authorities. It is recommended to put them on a retainer.

- Changes of parliament tend to take place every couple of years, leading to changing ministers who may alter policies and amend regulations – with a significant lack of transparency or even flexibility in some processes. It is advisable to keep yourself updated and regularly request a copy of the latest version of laws and regulations. File everything on time.

- Current standards of IPR protection in Jordan can be problematic in some areas. Consulting a law firm specialised in Intellectual Property Rights is recommended to confirm if there are particular products that may be at risk.
A Helping Hand in Jordan

DI
Confederation of Danish Industry (DI) is the premier lobbying organization for Danish businesses on national and international issues.

DI provides its 10,000 member companies with access to 750,000 companies in MENA through networks at local business organizations and chambers of commerce in the region. Its work focuses on industrial advocacy, removing trade policy barriers, proposing facilitative amendments to regulations, B2B facilitation as well as minimizing the entry-level challenges that often face small and large companies when entering new markets.

DI International Business Development (DIBD) is DI’s international consulting unit, helping Danish companies navigate on the growth markets of the world. Danish SMEs are somewhat risk averse and face cultural and language barriers. DIBD assists them on how to enter new markets, providing guidance on the initial set up process and go-to-market strategy. DIBD has facilitated more than 700 international projects in 40 countries over the last 19 years, including approximately 60 projects in the MENA region.

The MENA region certainly has a high potential, and a DI member survey on how important emerging markets are for Danish companies ranks MENA fourth after China, Brazil, and India.

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di.dk/aenetwork and di.dk/English/international/GlobalPartners
**JCI**

Jordan Chamber of Industry (JCI) was established in 2005 as the overarching national umbrella of the three industrial chambers in Irbid, Zarqa and Amman. It covers more than 18,000 Jordanian companies whose interests it has committed itself to promoting through national policy-making and active representation.

JCI strives to create a positive climate for industrial growth and investment. The organization focuses on research and development, disseminating industrial information, promoting investment opportunities, providing arbitration and SME assistance, and advocating policies at regional, national and international levels.

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This publication has been prepared by Confederation of Danish Industry (DI). DI is devoted to supporting its members in achieving success on the growth markets of the world.

As Western markets are saturating, growth is often found in difficult and very different markets than the traditional markets within the EU. This publication will function as a handbook to understanding one such market, namely the Jordanian. The handbook takes on the ambitious task of providing inspiration and concrete advice for foreign companies with interest in the Jordanian market.

The recommendations given in the handbook build on both the practical lessons learned by three case companies as well as on general information about doing business in Jordan, collected from interviews and market reports. Combined, this information offers market insight for foreign companies looking to enter the Jordanian market or strengthen current sales and operations.