Investment promotion (jordan)

Business

1. Corporations often choose to invest in foreign countries for a variety of reasons. One of the most compelling reasons to invest in foreign countries is to take advantage of lower operating costs particularly lower labor costs. The hourly labor cost in the United States in 2009 was $33. 53 (Bls, 2011). Other manufacturing costs such as rent, utilities, and insurance are typically much lower in foreign countries that in the United States. The countries that offer these types of savings are typically emerging economies such as Jordan. An emerging economy is an economy that has a gross domestic product below $9, 000 a year. Multinational corporations are often motivated to invest in foreign countries because these locations have lower regulations which reduce compliance costs. Another reason to invest in a foreign country is to take advantage of lower materials costs. Often companies choose to establish a physical presence in a foreign country to take advantage of the demand for their product in the domestic marketplace. For instance if a country has a high demand for electronics, but the local producers are not satisfying the demand it makes sense for an electronics company to establish a physical presence in that country to exploit the business opportunity. Another reason companies penetrate certain international locations is due to governmental incentives and tax shelters. The presence of free trade agreements with the United States persuades many manufactures to operate in countries that offer these types of benefits.

2.

One of the most attractive features that Middle East countries provide to companies looking to invest in this region is a high availability of cheap labor. Due to the high employment rate in the region a company that establishes itself in the Middle East would not have any problem recruiting workers since thousands of people would apply for jobs. Jordan in particular offers several advantages to companies. Jordan offers preferential tax treatment to companies that invest in certain industries. If a company invests in rural or remote areas of Jordan the government offers a 75% tax exemption for a ten year period. Companies that invest in the Amman region are eligible for a 25% tax exemption for a ten year period. The Jordan government offers new investors a duty free privilege on imported equipment. Jordan is a particularly attractive location for U. S. investors. The Jordan-U. S. Free Trade Agreement eliminated tariffs on some Jordanian goods exported to the United States. In order for this benefit to kick in the foreign company must locate their facilities in the Qualifying Industrial Zones (QIZ).

3.

Given the limited resources of the Investment Recruitment Office the organization should focus on marketing and looking for investors in the most attractive industries in Jordan. The top three industries in Jordan are textile, light manufacturing, and information technology. The textile industry should be exploited further by promoting the U. S.-Jordan Free Trade Agreement. Qualifying Industrial Zones would be attractive to Asian textile companies restricted from selling in the U. S market due to the imposition of quotas.

Work Cited Page

Bls. gov. 16 August 2011. “ International Labor Comparisons.” 25 September 2011.