

## **Problems Facing Owners and Managers Operating in the Qualifying Industrial Zones in Jordan**

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### **ABSTRACT**

This study reveals the major obstacles that both domestic and foreign companies face while working under the Qualifying Industrial Zones (QIZ) agreement in Jordan, according to the opinions of owners and managers. To uncover these problems, a questionnaire specially structured for this purpose was administered and distributed to all companies registered and working under the QIZ in three zones (Al Hassan Industrial Estate, Al Karak Industrial Park, and Al Tajamouat Industrial City). The total number of questionnaires distributed was 78. The results were based on the 51 returned questionnaires with full information, which constitute around 65% of the number of distributed questionnaires. Results indicate that respondents have problems in dealing with the Israeli side (either with exporters of raw material and with the procedures of the Israeli government). Also, respondents have problems related to the political instability in the region and how it will affect their work. In addition, respondents face problems with recruiting foreign labors, and securing housing and facilities for them. Finally, they face the problem of getting credit and financing from the local market. Therefore, peace and stability in the region will minimize the problems that face investors when dealing with the Israeli side. To minimize the problem associated with recruiting and hiring foreign labor, as well as, having problems with accommodating them at low costs, companies should be able to have training programs for local workers in order to increase their efficiency and productivity in the fields where they are needed. In addition, the government should issue certain rules and regulations that protect our environment.

### **I- INTRODUCTION**

Jordan, with its limited resources, has sought foreign aid in the form of loans and grants for many years. This has increased its burden of debt and worsened its trade deficit. As a way to boost its economy and to increase its growth, Jordan has recently adopted an aggressive investment campaign to promote foreign investment. This shifts its policy toward globalization and joining the changing world economy. It has offered many incentives, starting with improvement in the infrastructure,

privatization, and changing and improving its Investment Promotion Laws.

Investment Promotion Law Number 11, for example, was issued in 1987 to further promote foreign investment and economic growth. In 1992, and after the retreat following the Persian Gulf War, Jordan issued the Arab and Foreign Investment Organization Law Number 27 and the Investment Promotion Law Number 16 of 1995. The later was the most influential in boosting foreign investment in Jordan. The law provides exemptions from taxes for certain industries. Table (1) shows the amount of local, foreign and total investment generated by Law Number 16.

The table shows that total investment has doubled

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from 1996 to 2001 resulting from the Investment Promotion Law. Foreign direct investment has increased from \$106.8 million to \$576.2 million in less than 6 years. This increase can be attributed to the overall improved investment environment in Jordan. The increased foreign confidence in Jordan was evident in the year 2000 as foreign investment exceeded local investment by nearly \$117.6 million. The Jordanian investor has also benefited from the Investment Promotion Law. The year 2001 showed a \$165.3 million increase in local investment from the previous year. However, foreign investment decreased about \$41.3 million in the year 2001.

**Table 1**  
**Foreign Investment generated by Law number**  
**16 (\$ US million).**

Year	Local	Foreign	Total investment
1996	383	106.8	489.8
1997	362.1	174.6	536.7
1998	460.3	218.2	678.5
1999	513.7	259.4	773.1
2000	499.9	617.5	1117.4
2001	665.2	576.2	1241.4

Jordan Investment Board Statistics (The author converted the currency from the Jordan Dinar into US dollars at a rate of US\$=.71 JD)

In addition, Jordan signed several bilateral trade agreements during the period 1990-2000 which were aimed at reinforcing openness and to open new markets. One of the most important agreements was joining the World Trade Organization (WTO) in December 1999. This provided access for Jordanian-manufactured products to the entire world and imposed international agreements such as the Trade Related Intellectual Property Rights, and Trade Related Investment Measures. Finally, the United States-Jordan Free Trade Agreement (FTA) was signed in October 2000. This agreement was only the fourth such trade agreement the US signed, coming after

those with Canada, Mexico, and Israel.

In 1996, the United States (US) started the idea of establishing the Qualified Industrial Zones (QIZ) initiative to support the peace process in the Middle East. The US has granted Jordan the opportunity to establish QIZ's in the hope of enhancing Jordan's leverage over neighboring countries (IPNET, 2001). In November 1997, Jordan, Israel, and the United States signed an agreement designating Al- Hassan Industrial Estate in Irbid as Jordan's first QIZ. Until this date, there are around 8 QIZ areas in Jordan.

The QIZ requires input from both Israel and Jordan to export goods into the US market under certain conditions. Goods that are manufactured in the QIZ enter the US market without duties and quotas. Export earnings are 100 percent exempted from income taxes and social services taxes until the year 2002, in accordance with the WTO policy. Companies that operate within the QIZ are also exempted from paying custom duties on exported raw materials, fixed assets and spare parts.

The QIZ's have affected the economy at the macro level since they have increased job opportunities to many unskilled laborers, increased foreign currency earnings due to the increase in exports, transferred technology, as well as the know-how of different industries, and helped create new business for local companies. In 2001, Jordanian exports to the US alone through the QIZ, the Free Zones and normal exports amounted to \$126 million dollars (for the period from January 1, 2001 to November 2001). This represented a 401 percent increase over the year before.

Even though Jordan has made extraordinary advancements in attracting foreign direct investment, the problems underlying regional instability and local practices led foreigners to shy away from investing in Jordan. Some of the impediments are not under the control of Jordan, while others are self-made. Its geographic location has made it a center for conflict resolution. Jordan has a relatively small economy and domestic consumption market (Seiam, 2001: 15). These facts have prompted foreign capital to move to other countries as Egypt, which has a larger population and

economy. In addition, investors in Jordan, both domestic and foreign, are faced with various bureaucratic requirements from more than one source when attempting to start investing. This process poses a threat of delay, in contrast to the processes in neighboring countries.

The free commercial zones in general, and the Qualified Industrial Zones, in particular, have not gained much acceptance yet because they are relatively new. The importance of this study is in being the first to try to learn the opinions of owners and managers concerning the problems their companies face while operating in the (QIZ) area. Knowing these problems, we believe, is important to increasing both domestic and foreign investments in Jordan.

To increase the number of companies operating within the QIZ areas, and to improve the efficiency of the existing ones, it is necessary to focus on the problems the existing companies commonly experience with the QIZ. This study reveals the major obstacles that both domestic and foreign companies face while working under the QIZ agreement in Jordan, according to the opinions of owners and managers. Learning of these impediments helps to show the value and results of the investment laws and incentives offered by the government that are meant to encourage investment. The result of this research will help decision-makers to ultimately construct an investment environment erected on a strong and sound foundation. In addition, the results of this study will help management and workers in these companies to create new strategies in dealing with their problems.

The remainder of this paper is organized as follows: Section two defines the QIZ and explains its importance and how it works. Section three reviews the literature. The fourth section identifies the data and the methodology that will be utilized in this research. Section five analyzes the results, while the last section (six) summarizes and concludes the paper.

## II- WHAT IS A QIZ?

According to the FTA a "Qualified Industrial Zone" is defined as an area that includes portions of the territory of

Israel and Jordan or Israel and Egypt. After signing proclamation number 6955, the President of the US has specified the area designated by local authorities as an enclosure where merchandise may enter the US market tax free and duty free. This proclamation remains in effect at the discretion of the president of the US.

The main advantage of the QIZ to investors includes an access to the US market without duties, tariffs and quotas. Export earnings are 100 percent exempted from income taxes and social services taxes until the year 2002 in accordance with the WTO policy. In addition, it provides no restrictions on ownership and foreign currency transactions.

There are eight areas throughout the Kingdom of Jordan designated as QIZ. There are three public industrial estates and five privately owned, with a total invested capital of about \$208.1 million. Table (3) shows a summary that includes the type of the QIZ, number of projects, invested capital and employment. The three public QIZ's are located in the northern, middle and southern parts of Jordan. The first is the Al-Hassan Industrial Estate, which is located near the northern City of Irbid. It has employed 8,500 Jordanian workers and has 13 projects, with 17 more planned, and has \$89.4 million invested capital. The second is the Al-Hussein Bin Abdullah II Industrial Estate located in the City of Karak. This industrial estate employs 1,630 workers with about \$28 million in foreign capital invested. The third is the Aqaba QIZ, which is not yet operational.

The first private QIZ is the Ad-Dulayl Industrial Park at the center of the town of Ad-Dulayl. The total number of projects reached six, with total invested capital of about \$20 million. The second is Al-Tajammouat Industrial City, which is the largest privately owned industrial estate, with invested capital amounting to about \$36.9 million. The third is Cyber City Park located near the Jordan University of Science and Technology in Irbid. The fourth is the Al Qastal Industrial Park located 35 km from Amman, which has had one project until now. Finally, the Al Zey sub zone which has had one project so far.

**Table 2**  
**Amount of Exports to the US Market.**

Comp No.	Capacity	Volume of Inv	1999 Exports	2000 Exports	Jan-Nov 2001 exports
35	64,621,283	202,218,865	2,441,973	25,191,494	126,425,777

**Table 3**  
**QIZ's Summary Including Type, No. of Projects, Invested Capital, and Employment.**

QIZ Zone	Type	Number of projects	Invested Capital (\$US million)	Employment
Al-Hassan Industrial Estate	Public	13	89.4	8,500
Al-Hussein Ibn Abdulla II Industrial Estate (Al Karak)	Public	3	28	1,630
Al-Tajamouat Industrial City	Private	10	36.9	8,000
Ad-Dulayl Industrial Park	Private	6	20	4500
Cyber City Park	Private	1	14	100
Al Qastal Industrial Park	Private	1	7	550
Al Zey, Sub Zone	Private	1	12.8	510
Total		35	208.1	23,790

Source: Jordan Investment Board, 2001.

For the product to be entitled to duty-free access to the U.S. Market, it must qualify as a "product of," "made in," or "manufactured in" the QIZ in Jordan under the rules of origin applied by the US Customs Department for textile and apparel products (The Uruguay Round Agreement Act, 19 U.S.C. 3592 section 334 Rules of Origin applies). A product is qualified as "Made in QIZ Jordan" if it meets the 35% minimum value added requirement. A manufacturer located within the QIZ must contribute a minimum of 35% of the appraised value of the product, as per the U.S Customs Department's valuation of the product upon entry into the US. In addition, the manufacturer in both the Jordanian and the Israeli QIZ must each contribute and maintain at least 20 percent of the total production cost of goods eligible for duty free treatment, excluding profit. The costs cannot be considered as part of the 35% minimum content requirement.

Another requirement is that the product must be a new

or different article of commerce, which has been substantially transformed, as a result of the manufacturing in the QIZ, into an article having a new name, character or use.

Companies operating in the QIZ area must choose one of three methods. The first method has a 35% minimum QIZ value added content requirement that must at least be 11.7% from a Jordanian QIZ, 8% from an Israeli manufacturer, and 15.3% from a Jordanian, or Israel QIZ, the U.S, the west Bank, or Gaza. In this method, the 35% minimum value added requirement is calculated from the appraised value of the product and only direct processing and raw materials costs are admissible as part of the 35% minimum QIZ content requirement. Direct processing costs include direct labor and direct overhead such as depreciation of machinery and direct utility costs related to the manufacturing of the product itself. Indirect general and administrative expenses, overhead, and profits are not

admissible. In the second method, the manufacturers in both the Jordanian and Israel QIZ must each maintain a minimum of 20% of the total production cost. This approach is more flexible since it allows for various types of production costs, such as indirect overhead, research and development, marketing, in addition to the direct processing costs and raw materials that are admissible in the first method. In the third method, the manufacturer may choose to mix and match between the first and second methods in order to qualify the product.

### III- REVIEW OF THE LITERATURE

The previous literature examined the important role Foreign Direct Investment (FDI) has on economic growth, and the main determinants of this foreign direct investment. Lin (2001), for example, summarized the result of recent research on the relationship between changes in the microeconomic determinants and the change in FDI. The empirical analysis verifies that an appreciating foreign exchange rate, higher export profits, wider differential economic growth, and international interest rates were important determinants for investing overseas. Berthelemy (2000), in contrast, investigated the relationship between FDI and economic growth in China. He found that FDI is one of the important channels for technology to spread from developed to developing countries.

Amjad Lataifeh (1996) conducted a study on foreign investment and its role in economic development in Jordan. From analyzing the period from 1980 to 1994, he concluded that there is a necessity to attract foreign investment for its active role in reducing the unemployment rate and stagnation in the economy. He also implied that government agencies should modernize laws concerning foreign investment. Hisham Gharaybeh examined the laws relating to foreign investment in Jordan. The study analyzed the important elements in the investment promotion laws, and compared them with the laws in the nearby countries of Syria and Egypt.

Few studies centered on the laws promoting investment, and the importance of attracting foreign

investment into the QIZ. Naser Aref (2001) in his study examined the investment movement in the Qualified Industrial Towns and the exemptions offered to the investors in those towns. Ra'ed Khouri (2001) compared the Qualified Industrial Towns and the free commercial zones in Jordan. That researcher, in his study, came to the conclusion that the Qualified Industrial Towns are a simple part of the free zones as a result of the free trade accord between Jordan and the US. He further stated that since this accord considered Jordan entirely as a qualified area, there is no need for the existence of Qualified Industrial Zones that make as a prerequisite mandatory cooperation with Israel.

This paper will take another direction, which has not been studied before. It will concentrate on the problems and obstacles that face companies working in the QIZ, from the time they started their project to the present.

### IV- DATA AND METHODOLOGY

#### IV-I- Study Population

In view of the nature of the subject, and the related treatment, this study will follow the descriptive, analytical method to point out the problems experienced by the investors, owners and managers, in the Qualified Industrial Zones. To accomplish this, we relied on field resources. We first conducted in-person interviews with the directors of the industrial towns, with the aim of collecting and analyzing data to get the findings to show the dimensions of the topic in practical terms. Second, we administered a questionnaire specially structured for this purpose. The questionnaire was delivered by hand directly to all the members of the study population. The study population consisted of owners and managers at companies and factories following the QIZ agreement, newly constructed in the Qualified Industrial Towns of Al Hasan Industrial Estate, Al Karak Industrial Park, and Al-Tajamouat Industrial City.

The questionnaire was structured to identify the problems facing investors, managers and owners in the Qualified Industrial Towns. The final form of the

questionnaire consisted of ten items distributed over two parts.

Part one included nine questions of personal and demographic information. Part two included a graded scale for a subset of the questions in the questionnaire. This part covered different dimensions, such as the obstacles blocking the way of project success. These obstacles include, among others, labor, communication, management, import-export procedures, marketing, laws and regulations, funding, work conditions and incentives. The final part of the questionnaire included an open-ended question to allow the respondents sufficient space for providing personal opinions.

#### IV-II- Study Validity and Reliability

The content validity of the questionnaire was verified by resorting to the “Specialized Phase Control” method in administration and economy. The tool reliability was computed using the Crombach Alpha method. The reliability rate of the internal consistency of the questionnaire, amounted to (0.8915), which is acceptable as a research tool.

#### IV-III- Sample

The study sample consisted of two top managers in each unit, in addition to the owners of factories working in the Qualified Industrial Towns. The sample included all companies registered and working under the QIZ in three zones. Two of these QIZ’s are public (Al Hassan and AlKarak), while the third is private (Tajammouat City). The companies under investigation were established between 1998 and 2001. These companies employ 64% Jordanians and 36% foreigners. As for the ownership of the companies under study, we note that 26% are owned by Jordanians, while 66% are owned by foreigners, and 8% have combined ownership.

Table (4) illustrates the number of distributed questionnaires and the response rate. We distributed a total of 78 questionnaires, about 3 questionnaires per company. The returned questionnaires with completed information numbered 51, which constituted about 65% of the number of distributed questionnaires.

**Table 4**  
**Number of Questionnaires Distributed and the Response Rate.**

Industrial Town	Number of Questionnaires		Rate of Response
	Distributed	Returned	
Al Hasan Industrial	39	31	79.5%
Al Tajamouat Industrial City	30	18	60%
Al Karak Industrial	9	2	22%
Total	78	51	65%

#### IV-IV- Properties of the Studied Companies

Product lines and the distribution of industries by importance in the Qualified Industrial Zones are shown in Table 5. The table indicates that the most common industries in the QIZ are textiles and clothing, followed by leather, metal, food and agricultural industries, respectively, with chemical and plastic industries at the bottom of the list.

**Table 5**  
**Distribution of companies and Their Line of Business in the QIZ Areas.**

Industry	Percentage %
1- Textiles and Clothing	72%
2- Leather Industries	10%
3- Metal and Electrical Industries	7%
4- Food stuff and Agricultural Products	4%
5- Chemical and Plastic Products	2%
6- Others	5%

#### IV-V- Sample Demography

Table (6) shows the distribution of the sample responses as per qualifications, experience and demographic variables. It is clear from the table that the majority of the sample respondents fall within the age category of 35-45 years, and are married. As for experience, the majority fall within the category 5-10 years (75%), most are university degree holders (about

88%), and specialized in business administration (49%).

It is also clear that the majority of the managers are employed at the office works (53%), while a minority is employed at the office and do field works (37%). Finally, 25% of those who completed the questionnaire have an income range between JD500 monthly and JD 1500, and most of the managers have salaries less than 500 JD.

## V- STUDY RESULTS

### V-I- Difficulties and Obstacles

Table 7 shows the respondents' responses to the questions relating to the obstacles and difficulties experienced in starting their operation at the QTZ. The responses were tabulated as either "yes" or "no". It is clear from the responses shown on the table that the only problem facing owners and managers lies in the area of transportation facilities (question 5). The percentage of respondents who acknowledged this problem was 65%. We note, therefore, that the infrastructure of the industrial services is encouraging and very suitable for investment, except for problems in acquiring transportation facilities.

### Sufficiency and Availability of Incentives

We asked the following seven questions that are related to the sufficiency of incentives provided. The questions were set on a five-point scale ranging from "completely sufficient", "sufficient", "somewhat sufficient", "insufficient" and "completely insufficient." Table (8) shows the distribution of the responses of the study sample to the questions, pertinent to the incentives, after combining the responses of "completely sufficient" and "sufficient" together, and "insufficient" and "completely insufficient". The findings shown in Table (8) indicate that there are enough incentives, according to the sample's respondents, except in the area of integration and cooperation among the QIZ areas. The percentage of respondents who disagreed that there exists integration among the existing industrial zones was 43%. Also, about 43% of the respondents found insufficient integration and cooperation among companies in the same QIZ area. As for the laws concerning the environment, about 30% of the responses were neutral. This could be attributed to either that there are no clear laws related to the environment, or the respondents were unaware of or unfamiliar with such laws.

**Table 6**  
**Distribution of Demographic Information of the Respondents.**

Age	<35	12%
	35-45	76%
	> 45	12%
Marital Status	Married	67%
	Single	32%
	Others	1%
Experience	1-5 years	10%
	5-10 years	75%
	> 10 years	15%
Educational level	Diploma	6%
	Bachelor	88%
	Higher Studies	6%
Specialization	Business Administration	49%
	Engineering	10%
	Others	41%
Nature of Work	Office	53%
	Office and Field	37%

Income Average	<500 JD.	27%
	500-1500 JD	25%
	> 1500 JD	44%

**Table 7**  
**Difficulties and Obstacles in Procedures, Licenses and Facilities.**

Did you have any difficulties and obstacles in the following		YES	NO
1	Getting profession's license	--	100%
2	Getting public works permission	9%	91%
3	Acquiring electricity	13%	87%
4	Acquiring water	9%	91%
5	Acquiring communications facilities	17%	83%
6	Acquiring transportation facilities	65%	35%
7	Acquiring enough land	4%	96%
8	Acquiring enough buildings space	17%	83%

**Table 8**  
**Sufficiency of Incentives Provided.**

There exist sufficient incentives concerning the following areas:		Sufficient	Neutral	Insufficient
1	Liberty to choose the required area	66%	30%	4%
2	Availability of ready industrial buildings with high specifications and various areas	48%	35%	17%
3	Availability of developed lands and ready buildings at reasonable prices and rents	48%	26%	26%
4	Possibility of purchasing or renting the real estate.	72%	7%	11%
5	Integration and cooperation among the existing industries in the QIZ you are working in.	18%	39%	43%
6	Integration and cooperation among the QIZ areas in the country.	16%	35%	49%
7	Environment protection laws	46%	30%	24%

### V-III- Degree of Satisfaction with the Work Force

To determine the degree of satisfaction of the companies' owners and managers with the workers under their supervision, a set of questions was asked within a set of five-point scale response which ranges from "very satisfied", "satisfied", "undetermined", "dissatisfied", "completely dissatisfied". The results of these questions are shown in Table (9), after combining the responses of "very satisfied" with "satisfied", and the responses of "dissatisfied" with "completely dissatisfied". Through the table, we note that the satisfaction rates are very low for the educational level, skills, practical experiences and productivity of the workers. The table shows that 48% of the respondents were dissatisfied with the educational level of their workers, while 67% of the respondents believed that these workers lack practical experience. It is also noted that the respondents were less satisfied with Jordanian workers as compared to foreign workers concerning productivity. The table shows that 44% of the respondents were dissatisfied with the productivity of Jordanian workers, while only 8% were dissatisfied with the productivity of foreign workers. In addition, many of those who completed the questionnaire did not give their opinion but instead were neutral concerning the direct cost of labor (57%), while 61% of the respondents were neutral concerning the indirect costs of workers. This

could be attributed to their fear of exposing some facts about the low labor cost (either direct or indirect) in these areas.

### Problems Related to Other Work Aspects

Using a five-point scale ranging from "always", "frequently", "sometimes", "rarely" and "never" a set of questions was asked to see how frequently owners and managers faced operational problems related to their work. Table (10) shows how often the managers and owners faced problems over different aspects of work, after combining the responses of "always" with "frequently" and "rarely" with "never". The table shows that 73% of the respondents frequently faced problems with the Israeli raw materials exporters, while 54% always have problems with the political situation in the area, and 53% frequently have problems related to the procedures by the Israeli government. In addition, 49% of the respondents said they faced problems frequently with trucking and transportation. However, respondents said that other frequently faced problems were related to securing housing for foreign labor (48%), and to recruiting foreign labor (42%). Also, 48% of the respondents said they were faced frequently with the problem of securing credit and financing from local banks.

**Table 9**  
**Major Problems Concerning Working People at the QIZ.**

Are you satisfied with the following concerning your workers?:		Satisfied	Neutral	Dissatisfied
1	Educational Level	4%	48%	48%
2	Professional Skills	13%	35%	52%
3	Practical Experiences	26%	7%	67%
4	Direct costs (salaries, expenses, training)	26%	57%	17%
5	Indirect costs (health insurance, social security)	17%	61%	22%
6	Productivity of the Jordanian Workers	39%	17%	44%
7	Productivity of the foreign workers	79%	13%	8%

**Table 10**  
**Problems Related to Other Work Aspects.**

<b>How often do you face problems related to the following:</b>		<b>Always</b>	<b>Sometimes</b>	<b>Never</b>
1	Custom procedures	14%	39%	47%
2	Export procedures	7%	48%	45%
3	Raw material import procedures	8%	26%	66%
4	Availability of the raw material in the local market	20%	35%	45%
5	Finding sufficient numbers of local laborers	17%	39%	44%
6	Finding sufficient numbers of local laborers with high skills and experience	30%	35%	35%
7	Change in the criteria of product accreditation.	4%	35%	61%
8	Availability of good marketing in the US for your product.	20%	7%	73%
9	Competition from other companies with the same product located in other QIZ in the area	11%	30%	59%
10	Recruiting foreign labor	42%	22%	36%
11	Dealing and communication with foreign labor	35%	35%	30%
12	Finding and securing housing for foreign labor	48%	17%	35%
13	Social and moral habits of the foreign labor	30%	39%	31%
14	Dealing with the management of the QIZ	31%	7%	62%
15	Relations with the QIZ management	11%	13%	76%
16	Procedures of the Investment Promotion Corp.	5%	17%	78%
17	Transportation and trucking facilities	49%	30%	21%
18	Israeli exporters of the raw material	73%	13%	14%
19	Israeli government procedures	53%	17%	30%
20	Political situation in the region	54%	22%	24%
21	Competition among companies existing within the QIZ	22%	22%	56%
22	Land and building lease system	18%	4%	78%
23	Obtaining financing from local banks	48%	39%	23%

## **VI- SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS**

With the start of the new millennium, it was necessary for Jordan as a developing country to take certain measures to achieve suitable and sustainable levels of economic growth to raise the living standard of its citizens and to reduce the problems of poverty and unemployment. During the year 1996, the US

started the idea of establishing the Qualifying Industrial Zones initiative to support the peace process in the Middle East. In November 1997, Jordan, Israel and the US signed an agreement designating Al-Hassan Industrial Estate in Irbid as Jordan's first QIZ. There are now around 9 new zones in Jordan with 35 companies which are qualified to export their products to the US market duty and custom free. Benefit from the QIZ to the Jordanian economy comes from

increasing exports, which brings needed foreign currency to the country. The QIZ also helped create new jobs for Jordan's increasing number of unemployed, stimulated domestic and foreign investment in the country, assisted in transferring advanced technology, and assisted in enhancing productivity and strengthening competitiveness of Jordanian products in global markets.

Along with these benefits, there were some problems either regional or local which faced investors, owners and managers at the QIZ areas.

This paper focuses on the problems the existing companies experience on the ground. It reveals the major obstacles that face both domestic and foreign companies working under the QIZ agreement in Jordan, according to the opinions of owners and managers. To uncover these problems, a questionnaire specially structured for this purpose was administered. Administration took place by hand, directly to all the members of the study population.

The study sample consisted of two top managers in each company, in addition to the owners of factories working in the Qualified Industrial Towns. The sample includes all companies registered and working in the QIZ in three zones. Two of these QIZ's are public while the third is private. The companies under investigation in the sample were established between 1998 and 2001. The total number of questionnaires distributed was 78. The results were based on the 51 returned questionnaires with complete information, which constituted about 65% of the number of distributed questionnaires.

The following table summarizes some of the problems that the owners and managers of companies operating in the QIZ indicated that they face. From these responses, we can see that respondents have problems in dealing with the Israeli side, either with exporters of raw material and/or with the procedures of the Israeli government. Also, respondents showed that they have problems related to the political unrest in the region and how it affected their work. In addition, respondents indicated that they face problems with recruiting foreign laborers, and securing housing and facilities for them. Also, the

majority of the respondents (48%) were dissatisfied with the educational level of their workers, while 67% of the respondents believed that these workers lack practical experience. It is also noted that the respondents were not satisfied mostly with the Jordanian workers (44%) while only 8% are dissatisfied with that of foreign workers. Finally, they stated that they face the problem of getting credit and financing from the local market.

**Table 11**  
**Frequently Faced Problems**  
**by Manufacturers at the QIZ areas.**

	<b>How often having problems with the following</b>	<b>always</b>
1-	Recruiting foreign laborers	42%
2-	Securing housing for the foreign labor	48%
3-	Trucking and transportation means	49%
4-	The Israeli raw materials exporters	73%
5-	The Israeli government's procedures	53%
6-	The political conditions of the area	54%
7-	Getting credit facilities and financing	48%

To maximize the benefits from the QIZ areas to the Jordanian economy through increasing exports and improving the employment figures, the number of companies operating under the QIZ agreement must increase. This increase, however, is a by-product of economic stability in the region, especially the turmoil in the West Bank of Jordan. Peace and stability in the region will minimize the problems that face investors when dealing with the Israeli side. Companies need to minimize the problems associated with recruiting and hiring foreign labor, as well as the problems with accommodating them at legal costs. To do this, companies need to have training programs for local workers to increase their efficiency and productivity in the fields where they are needed. In addition, the government needs to issue certain rules and regulations that protect our environment.

This is a first attempt to study the problems facing investors in the QIZ areas. Future research needs to be

directed toward studying other aspects of the QIZ areas. For example, future research could be directed toward studying the effect of the free trade agreement on the factories operating under the QIZ. Second, researchers could study the problems that face

employees operating at the companies at the QIZ. Finally, future research needs to identify the reasons behind the apparent unwillingness of existing Jordanian companies to move into the QIZ areas, given all the facilities provided.

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## تحديد المشاكل التي تواجه المالكين ومديري الشركات العاملة في المناطق الصناعية المؤهلة

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### ملخص

تهدف هذه الدراسة الى الكشف عن المعوقات التي تواجه الشركات المحلية والأجنبية في المناطق الصناعية المؤهلة في الأردن، من وجهة نظر المالكين والمديرين. لتقصي هذا الموضوع تم تصميم وتوزيع استبانة على جميع الشركات العاملة في ثلاث مناطق صناعية مؤهلة هي: مدينة الحسن الصناعية والكرك الصناعية والتجمعات الصناعية. لقد تم توزيع (78) استبانة واعتمدت النتائج على تحليل (51) استبانة احتوت المعلومات الكاملة المطلوبة. أظهرت النتائج أن من أهم المشاكل التي تواجه الشركات العاملة في المناطق الصناعية، وذلك من وجهة نظر مالكيها ومديريها، هي مشاكل متعلقة بالتعامل مع الجانب الإسرائيلي (سواء كان ذلك متعلقاً بالمواد الخام أو الإجراءات الحكومية الإسرائيلية). كذلك أبدى أفراد عينة الدراسة قلقهم للأوضاع السياسية السائدة في المنطقة كلها وتأثير ذلك على أعمالهم. ووضحت النتائج أن هذه الشركات تواجه مشاكل فيما يتعلق بالمعوقات المحلية المتعلقة باستخدام العمالة الأجنبية وتأمين السكن وتقديم الخدمات لهم، كما تعاني من مشكلة في التمويل وذلك فيما يتعلق بالحصول عليه من السوق المحلية. للتقليل من حجم هذه المشاكل توصي الدراسة بتأهيل وتدريب الكوادر المحلية بهدف الاستغناء عن العمالة الأجنبية المحترفة، مما قد يساعد على التخلص من المشاكل المتعلقة بالعامل الأجنبي، من سكن وغيره، ويساعد في الوقت نفسه على تقليل حدة البطالة والارتقاء بمستوى الأيدي العاملة المحلية. كما توصي الدراسة أيضاً بوضع مجموعة من القوانين والأنظمة الهادفة إلى حماية البيئة المحيطة خصوصاً ان معظم نشاطات هذه الشركات قد يكون لها تأثير سلبي ليس ببسيط في البيئة المحيطة.

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