Determinants of Direct Investment In Qualified Industrial Zones of Jordan
(Case Study of AL-Hassan Industrial Estate)

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Abstract

Foreign Direct Investment (FDI) is either the partnership between a local and a foreign company or the foreign ownership of a local company. Developing host countries have typically allowed and encouraged foreign investment to offset domestic resource gaps that limit the host country's ability to meet development targets. While in theory the benefits of direct foreign investment are compelling, experience has shown that allowing foreign enterprises to locate in a country can have its disadvantages.

Whatever the reasons may be, it is generally agreed that direct foreign investment can be an important stimulus to economic and social development, especially in less developed countries, as long as such an investment benefits the foreign enterprise and the national objectives of the host country.

The aim of this study is to evaluate investment determinants in the QIZs of Jordan were it will be attempted to identify the qualifying investment opportunities within the QIZ, an evaluation of the current
investments there, in order to arrive at a set of recommendations regarding the enhancement of the Jordanian investment climate where it is most beneficial.

The results revealed that, the most important prerequisites to investment in a QIZ as indicated by the companies were tax and tariff exemptions, import and export licensing and rules governing foreign investors. The most important reasons/motives for investment in Jordan were the ability to export to the U.S. market, the investment incentives granted by the Jordanian Government thereby overcoming trade restrictions including tariff and non-tariff barriers, and the access to lower wage workers. The correlation and regression results showed a strong significant relation between the opinion regarding the investment climate of Jordan and the quality of services. This was evident in the reputable quality of services and the adequate infrastructure provided by the Al-Hassan QIZ. Therefore, the Jordanian government should further improve the quality of its services in QIZ, including infrastructure. It should also focus on improving the state of its economy avoid overgenerous incentives and decreasing, if not eliminating the bureaucracy and red tape that still exists if it wants to achieve its development and prosperity targets.