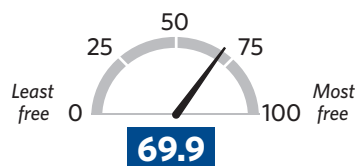


JORDAN

Economic Freedom Score



World Rank: **32**

Regional Rank: **3**

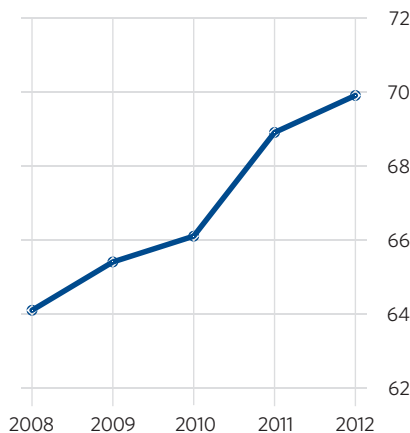
Jordan's economic freedom score is 69.9, making its economy the 32nd freest in the 2012 *Index*. Its score is 1.0 point better than last year, reflecting gains in half of the 10 economic freedoms including notable progress in business freedom and the control of government spending. Jordan is ranked 3rd out of 17 countries in the Middle East/North Africa region.

The Jordanian government's record on institutional reform has been uneven, and more vibrant economic growth is constrained by structural weaknesses that continue to undercut some of the four pillars of economic freedom. The rule of law is not strongly supported by the judicial system, particularly due to growing corruption.

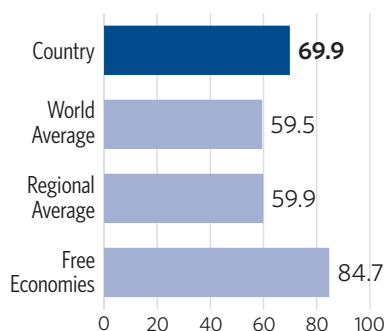
Despite the challenging situation stemming from the external economic environment, progress in upgrading Jordan's economic infrastructure has been aided by openness to international trade and investment that has sustained economic growth. Levels of trade, fiscal, and investment freedom are relatively competitive. Public finance improvements and the privatization of government enterprises have been staples of the reform agenda. Social security and pension reforms are being followed by efforts that include containment of the public wage bill and reductions in capital spending.

BACKGROUND: Jordan is a constitutional monarchy in which the king exercises significant executive power. In February 2011, King Abdullah responded to "Arab Spring" demonstrations by dismissing the cabinet and appointing Marouf al-Bakhit as prime minister with a mandate for reform. Jordan's economy, one of the smallest in the Middle East, is supported to a significant degree by foreign loans, international aid, and remittances from expatriate workers. In 2000, Jordan joined the World Trade Organization and signed a free trade agreement with the United States; in 2001, it signed an association agreement with the European Union. Qualifying Industrial Zones allow duty-free exports to the United States of goods made with some content from Israel. Ongoing problems include high unemployment, poverty, a large budget deficit, heavy debt, and the high cost of oil imports.

Freedom Trend



Country Comparisons



Quick Facts

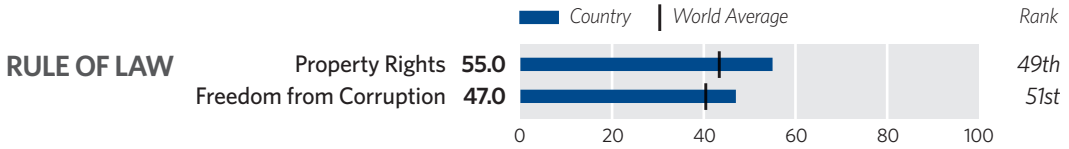
Population: 6.1 million
GDP (PPP): \$34.5 billion
 3.1% growth in 2010
 5-year compound annual growth 5.9%
 \$5,644 per capita
Unemployment: 13.4%
Inflation (CPI): 5.0%
FDI Inflow: \$1.7 billion
Public Debt: 66.8% of GDP

How Do We Measure Economic Freedom?

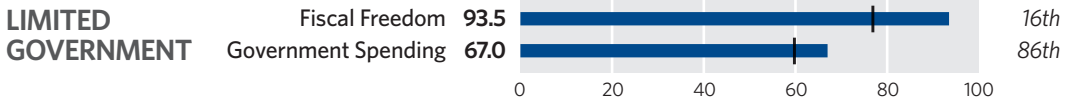
See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2010 data unless otherwise noted.
 Data compiled as of September 2011.

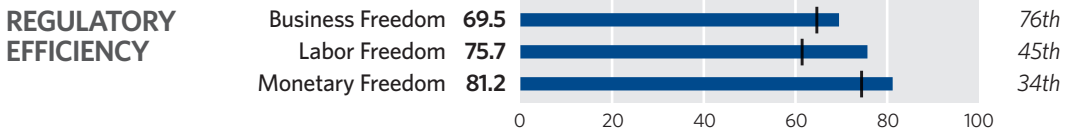
THE TEN ECONOMIC FREEDOMS



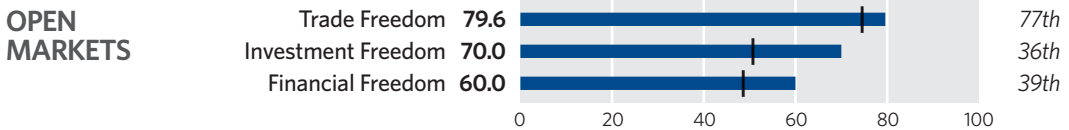
The legal system protects the acquisition and disposition of all property rights. The judiciary is generally independent, but the king is the ultimate authority. Despite efforts to limit its influence, the Ministry of Justice significantly affects judges’ careers. Protection of intellectual property rights has improved. Influence peddling and lack of transparency undermine the fairness of government procurement and dispute settlement.



The top income and corporate tax rates are 14 percent. Other taxes include a value-added tax (VAT) and a property tax, with the overall tax burden equalling 16.2 percent of total domestic income. Government spending is equivalent to 33.2 percent of total domestic output. The deficit has come down to 5.3 percent of GDP, and public debt stands at over 60 percent of GDP.



Recent reforms have made business formation and operation more efficient and dynamic. Licensing requirements have been simplified, and the minimum capital requirement is no longer in place. Progress toward reforming bloated public-sector employment has been dismal, with significant rigidity remaining in the labor market. Inflation has been rising. Most controls have been eliminated, but the government sets prices for some services.



The trade weighted average tariff rate is 5.2 percent, with non-tariff barriers including inefficient customs administration adding to the cost of trade. Foreign investors receive national treatment, but bureaucracy, red tape, and inconsistent enforcement of regulations inhibit new investment. The consolidation of smaller banks has progressed. The state owns no commercial banks but does own five specialized credit institutions.

Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+0.8	Business Freedom	+3.7	Trade Freedom	+0.8
Freedom from Corruption	-3.0	Government Spending	+6.1	Labor Freedom	+1.5	Investment Freedom	0
				Monetary Freedom	-0.2	Financial Freedom	0