

Appendix E: An Overview of Jordan's Garment Manufacturing Industry

Jordan is an Arab country in the Middle East bordered by Syria to the North, Iraq to the North-East, Saudi Arabia to the East and South and Palestine to the West. The country is located at the crossroads of three continents (Asia, Africa and Europe) and the trading routes between the Far East and Europe. Its area is 89,342 sq km of which 88,802 sq km are land and 540 sq km water. The population is estimated to be 7.9 million (Central Intelligence Agency, 2014). Jordan has limited natural resources including a lack of both oil and water, and depends on imports to meet energy requirements. The country depends on its strong industrial links with the Arab Countries, the European Union (EU) and the United States of America (USA) to support its economy.

The garment sector in Jordan is the largest export industry in the economy (Central Intelligence Agency, 2013) followed by the potash and phosphate sectors. In 2012 the sector's exports in 2012 represented 19.5% of the total national exports of Jordanian merchandise estimated at JOD 738 million (Central Bank of Jordan, 2013). The USA, Arab Countries and the EU are the major importers of garments from Jordan (Department of Statistics, 2012). Several trade agreements and policies have affected the development and growth of the Jordan's garment manufacturing industry. These are:

- **Qualified Industrial Zones (QIZs)**

The most prominent contributor to the growth of garment manufacturing industry in Jordan is the QIZs which are specialised industrial parks established in the country in 1997. Exports from Jordan's QIZs are allowed to enter the US duty-quota-free. There were 13 QIZs in Jordan in 2012 employing approximately 60,000 employees (Thomasson, 2012).

- **US-Jordan Free Trade Agreement (FTA)**

The FTA between Jordan and the U.S came into effect in 2001 based on which Jordan was allowed to export duty-free garments to the USA. Since January 2010, which represents the final phase of implementation of the US-Jordan FTA, tariff on Jordanian products exported to the U.S. under the FTA has completely eliminated.

- **EU-Jordan Association Agreement**

The Association Agreement was signed in 1997 and came into force in 2002 with the aim of creating free trade area between the EU and Jordan. Jordanian exports of garment are allowed to enter the EU countries duty and quota free given that EU fabrics are used. Nevertheless, Jordan exports to the EU are still low and are outperformed by competitors in the region such as Egypt, Morocco and Tunisia.

- **Agadir Agreement**

Jordan signed the Agadir agreement in 2004 with Egypt, Morocco, and Tunisia. Prior to this agreement, Jordanian exports to the EU markets were duty free given that the fabrics used in producing these exports are imported from an EU country. However, this agreement allowed Jordanian garments exports to enter the EU markets duty-free given that the fabric used in the exported goods is Jordanian or imported from the EU, Egypt, Morocco or Tunisia.

The total exports of garments to the USA reached JOD 546.8 million in 2012 accounting for almost 90% of the Jordan's total export of garments. This high percentage of exports to the United States is the result of the establishment of Qualified Industrial Zones (QIZs) based on the trade Free Trade Agreement (FTA) with the USA. Jordanian exports of garments increased from USD 37 million in 1997 to reach USD 1.4 Billion in 2006. However, the value of Jordanian exports to the USA declined in 2009 at USD 772 (JOD 546.8). This decline in national exports out of the QIZs to the US markets is not associated not just with the garment sector only but also with overall national exports. According to The Jordan Times (2011), this drop is attributed to the global financial crisis which affected negatively the purchasing power of US consumers and led to a decline in the demand for garments. Moreover, competition from the Egyptian QIZs has also contributed to this drop in the export of apparel. Jordan exports of garments to the USA includes men's shirts, men and boys polo shirts, women shirts and similar sewed products, underwear and jeans (Jordan Ministry of Trade, 2012).

Jordan exports of garments to the EU have been outperformed by close competitors such as Egypt, Morocco and Tunisia. Compared to the exports volume to the US which represent 90%, Jordan exports to the EU are still recording low levels. Jordan is the 56th position as a supplier of the EU of clothing products and 63rd for the textiles (European Commission, 2010). In 2010, Jordanian exports to the EU were valued at EUR 10.5

million. Exports to the EU are basically concentrated on the UK and Ireland who absorbed 67% of total exports to the EU in the same year. Jordan also exports to Cyprus, Italy, Netherlands, Spain and Belgium (European Commission, 2010). Jordan exports of garments to the EU includes woven trousers, wool blouses, cotton suits, polo shirts, career apparel, work uniforms, knitted trousers, men's suits and men's and women's underpants (Jordan Ministry of Industry and Trade, 2012).

The industry performs mainly cut and make operations and all its raw materials of fabric and trim are outsourced from abroad mainly from the Far East, EU and Egypt and are duty exempted. This is due to the lack of natural resources required for producing and dyeing fabric. The shortage of skilled workers and necessary training is also an important issue that is considered as a weakness in the sector (Jordan Ministry of Industry and Trade, 2012). However, the Jordan's garment industry has relatively a lower production cost compared to key exporters in the area such as Turkey, Morocco and Tunisia.

In summary, the garment sector is the largest contributor to Jordanian exports. The main competitive advantage of the sector is the large number of trade agreements within the Middle East and with the USA and the EU. The country has also benefited from its geographical location at the cross roads between the Far East and Europe and from its political stability. Moreover, since 2001 the manufacturing sector has considerably benefited from the establishment of Qualifying Industrial Zones (QIZs). The country has long focused on competing through manufacturing, aiming to benefit from the abovementioned characteristics. The fact that Jordan has limited natural resources has forced manufacturers to import raw materials including fabric and trim from several countries, mainly from China but also Egypt, Pakistan and the European Union.