

Legally Yours



By Ahmad J. Tahboub

Aqaba Special Economic Zone is open for improvement

For those who did not recognize the abbreviations, ASEZA is short for Aqaba Special Economic Zone, a Jordanian governmental authority responsible for developing Aqaba. One week from its 8th. Anniversary, we all note that Aqaba came a long since its inception in February of 2000. An ambitious entity called ASEZA, gathered forces of its personnel to promote major investments and steer the Zone's financial policies 400 kilometers away from the capital.

The most demanding question when you think about investing in Jordan would be: "which is more viable Amman or Aqaba ?" and I can imagine your answer lingering around the fact that there should be no comparison between Amman's operational conditions and Aqaba's investment environment. Since its inception, the southern hot point of Jordan struggled for five years to establish an investment identity. Unlike most international investment hubs, ASEZA worked its way through different phases of creation, focusing on services and traditional tourism projects for a while, and afterwards following the footsteps of other regional attractions by introducing mega real estate projects. In a nut shell, the "Special Economic Zone" was able to accumulate several billion dollar ventures developing hundreds of sea view villas and apartments. Such properties were to be sold to the public through long term bank finance, and thus Jordanians were attracted to the new building concepts including vast green areas and an aquatic touch. It is recognized that mega projects usually rely on attracting local and foreign investments. Success in attracting dual identity money insures projects stability and a sustainable growth for the country, and this may not be the case for Aqaba.

Real estate developers' investment should not be accounted for as actual growth, especially when the bulk of such investment comes from small and individual buyers who

finance the project's different phases. First of all, building mega apartment projects attracts short term foreign investments, and as it initiates local bank facility loops, money cycles eventually pay out one or two developers. Such developers, in the absence of other ventures to create more money, shall gracefully shift the money towards another part of the world ... a tragic yet logical result.

Thinking back about the issue of foreign investment, another question comes to the surface:

"Have we secured an Aqaba money cycle?"

The answer is no ... and to complete the real estate cycle, a developing zone should accumulate more than one venue of investments. ASEZA expanded its geographical jurisdiction. The development issue does not rely only on attracting tens of developers and possible investors; we should also focus on attracting medium size investments on a regional scale. Such hope did not realize in real life, since business entities in ASEZA have to meet a prerequisite of actual residency in both operational and geographical senses. There are no legislative signs of permitting regional or offshore operations through AQABA (as in Dubai), or attracting start ups to be included as a development hub for the Middle East. One point to be reviewed is the amount of capital investment required to register a foreign investment. Jordanian regulations still include a big cap of 100,000 JOD in cash to be eligible residency.

Also, registered business entities are to have physical addresses in the Zone, with no lee way for fresh start ups. In this sense, Amman stands a better chance to attract SMEs than Aqaba, especially for offshore or tax exempted companies. In all fairness, I believe that we should review legislative policy regarding foreign investment in Aqaba and consider introducing a "business incubator" theme. The Zone's policy making should coincide with viable legal texts targeting issues like residency, taxation, and free flow of money. Furthermore, issues like minimum investment and percentage of ownership should be reviewed within the country's legal umbrella of laws and regulations. For instance, the Jordanian Companies law is currently under review by a specialized committee. The awaited amendments shall attend various concerns in LLCs and other forms of incorporations. ASEZA should consider having its own legal code for business entities, and if not separation from general codes ... then proposing certain amendments to fit the zone's strategic demands. Coinciding with Valentine's day, we wish ASEZA a prosperous future and I remain Legally yours.

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