Jordan lures foreign investors with citizenship offer

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Amman

About two dozen applications from foreign investors have been submitted to a Jordanian programme that would grant them citizenship or permanent residency. The move won raves from investors but received objections from members of parliament who want Israeli investors excluded.

During a February 19 news conference, Jordanian State Minister for Media Affairs and Government spokesman Mohammad al-Momani announced the programme, which allows several ways for investors to be granted citizenship.

The options include "a zero-interest, 5-year, $1.5 million deposit at the Central Bank of Jordan (CBJ)," "buying treasury bonds valued at $1.5 million at an interest rate to be decided by CBJ and for a period not less than ten years," "buying securities, at $1.5 million, from an active investment portfolio, while investors can invest $1 million in SMEs (small and medium-sized enterprises) for five years," or a "$2 million investment in any location in the country or $1.5 million investment in any governorate other than Amman."

Businesses that foreigners invest in must create at least 20 jobs and stay in operation for at least three years. To be eligible for permanent residency, foreign investors must invest in a property worth no less than $282,000 for ten years without selling it.

An investor's spouse, single, widowed or divorced dependent daughters, children under the age of 18 years and parents who are dependent are also eligible.

Amman Chamber of Commerce President Issa Murad said there are many foreign investors who are seeking Jordanian citizenship and to settle in the kingdom due to its stability and security at a time when turmoil is inflicting neighbouring countries.

"Encouraging investors to come and stay in Jordan will have a positive effect on all sectors such as industrial and real-estate and will double the investment projects," Murad said.

Waiting for a boost. A Jordanian vendor displays traditional Arabian headdresses while waiting for customers at his shop in Amman. (Reuters)

Investors would have to go through a security clearance and financial adequacy check. If they are found to have violated any conditions, their citizenship would be revoked and their residency status cancelled.

Approximately 9.5 million people — 6.6 million Jordanians — live in Jordan. About 1.23 million are Syrians, including refugees, followed by Egyptians, totalling 636,270. There are 634,182 Palestinians who do not have Jordanian national ID numbers.

Many Iraqi investors consider Jordan to be the perfect location for investments because of its security, geographic proximity and infrastructure. The Iraqi Business Council in Jordan said there is approximately $17 billion in Iraqi investments in Jordan covering tourism, banking, agriculture and industry.

"It is a good tool to increase investment in the kingdom. We saw several investors leaving Jordan due to taxes but with this move I think will be a great opportunity for many who have already established their businesses here away from their war-torn countries," said Jamal Tabaza, a Jordanian trader.

"This decision will solve many issues facing investors such as residency, freedom of movement and security issues, which will lead to making investment easier and will serve as an open door for more investments."

Syrian Mohammed Ashami, 49, who opened a pastry shop in Amman, said the investment-citizenship decision comes at the perfect time.

"I came here in 2015 with my family and opened a shop, which is doing fine despite the fierce competition but we need to face any challenges as we don't have any other option," he said. "Jordan is very secure and we like it here and I think this decision in which investors are allowed to have the citizenship is a positive one."

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Akram Karmool, head of the National Association for Investor Protection, has long been calling for a better environment for investment in the kingdom.

"The latest decision by the government will strengthen the investment environment in the kingdom and attract more foreign investors, which will have a positive impact on all sectors," he was quoted by local media as saying.

MP Saleh Armouti said he felt the decision placed "Jordanian citizenship for sale" and was a "crime." MP Ahmed Ruqub raised an objection, which was signed by about 16 MPs, requesting that the government exclude Israelis from the plan.

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Viewpoint

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Lebanon's banks are real reason for country's resilience

Lebanon's resilience is famous. Since the civil war ended in 1990, Lebanon has survived Israeli onslaughts in 1996 and 2006, as well as the 2005 assassination of former Prime Minister Rafik Hariri. Since 2011, Lebanon's population has absorbed more than 1 million Syrian refugees.

Some attribute such resilience to a political system based on compromises between sects, even when politicians are allied to rival regional powers. Others say Lebanon has survived due to its banking system.

In a country with intermittent electricity and rampant nepotism, Lebanon's banking sector excels. The regulatory framework imposed by the Central Bank, led since 1993 by Riad Salameh, showed its resilience in 2009. The world financial crisis barely rattled Lebanon's banks.

At the end of 2017, the banks' assets in the domestic market were $220 billion. The six banks listed on the Beirut Stock Exchange have assets, including foreign operations, of $125 billion. The banks' overall assets represent approximately four times Lebanon's gross domestic product.

The banks' importance is twofold. First, their earnings and receipt of remittances from Lebanese abroad mitigate a balance-of-trade deficit of $20.3 billion in 2017. Along with tourism receipts and foreign direct investment (FDI), this has resulted in a balance of payments deficit of just $156 million. This represents a deterioration on 2016's $1.2 billion surplus but it is better news than it might have been.

Second, the banks have financed government borrowing that took public debt to $78.15 billion in September 2017, up 4.6% year-on-year and 149% of GDP. Borrowing has financed a bloated public sector: From 2000-16, the International Monetary Fund said, 34.7% of public spending went to salaries. In the past three years, the government has appointed 26,000 extra staff.

Bankers want reform. Some detect positive signs. A recent government circular called for a 20% reduction in non-salary spending. Ahead of April's elections, there is newfound government efficiency in planning cabinet ratification of the 2018 budget.

"Lebanon needs drastic structural adjustment, such as fighting fiscal evasion, which is $4.2 billion a year in a country with a $5 billion deficit," said Marwan Barakat, chief economist at Banque Audi. "The deficit has to be reduced to ensure a soft landing."

The politicians assume the banks will forever rescue them, bankers say, thereby threatening not just the country's banks but its entire economy.

"The banking sector faces challenges," said Nassib Ghobril, chief economist at Byblos Bank. "The first is the decline in lending opportunities in the private sector, due to the expanding public sector. Second, there are the continuing borrowing needs of the government. While the banking system — the Central Bank and the commercial banks — finances the deficit, we see no political will to reduce the fiscal deficit and implement reforms."

Lebanon and political risk are long-term partners but regional tensions are growing and there is speculation of new Israeli attacks targeting not just Hezbollah's missile capacity but Lebanon's infrastructure. After playing a supportive role since the 1990s, Saudi Arabia's new assertive foreign policies mean Riyadh's support is not automatic.

Riyadh is alarmed by Hezbollah, the Shia group closely allied to Iran and active in Syria. Along with other Gulf Cooperation Council (GCC) countries, the Saudis have discouraged their nationals from visiting Lebanon, affecting not just tourism but real estate.

"In 2008-10, Gulf visitors were the biggest spenders and the largest share of Arab tourists in the country but the numbers have declined since 2011. Investments have also fallen," said Ghobril. "They have been selling personal real estate holdings, land, apartments, villas."

Riyadh's worry over Hezbollah is not entirely new. "In 2013, Saudi Arabia promised the Lebanese Army and security $4 billion in assistance, only to suspend payment in 2016 because of Hezbollah's influence," said Michael Young, a Lebanese author and analyst.

Young said cutting military aid — also being discussed in Washington — is self-defeating. "The Saudi reversal may have disturbed the army but it did absolutely nothing to Hezbollah," he said. "A cut in US military assistance would do much the same — harm the army and leave Hezbollah intact."

Barakat said the importance of Saudi support for Lebanon should not be exaggerated. "In 2006 [the Israel-Hezbollah war], they transferred $1 billion to the Lebanese Central Bank [to maintain confidence] but over the past decade this has been repaid in full. Today there are zero Saudi deposits at the Central Bank."

Private deposits are relatively low, said Barakat: "GCC deposits in banks are $4 billion-$5 billion; $1.5 billion are Saudi, out of a deposit base of $170 billion. FDI from the Gulf is almost negligible."

In a crisis, Lebanon's greater vulnerability would be its remittances, with 20% ($1.5 billion a year) coming from Saudi Arabia, said Barakat. He said he did not believe in "a doomsday scenario, where the Saudis lay off the 300,000 Lebanese workers there. Perhaps they would send a political message laying off, in the worse case, hundreds."

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