

COMMERCIAL RELATIONS BETWEEN TURKEY AND JORDAN

The diplomatic relations between Turkey and Jordan mainly started with the Treaty of Friendship on 11 January 1947. The economic relations between the two countries, however, increased by leaps and bounds following the execution of the Association Agreement Establishing a Free Trade Area between the Republic of Turkey and the Hashemite Kingdom of Jordan on 1 December 2009 (the "**Free Trade Agreement**"); however, Jordan terminated the Free Trade Agreement on 22 November 2018 based on the grounds of shortage of investments, lack of financial assistance, and insufficient technical support from Turkey to Jordan. Thus, the preferential trade regime between the parties was removed which, in return, caused a great decrease in trade between them. Nevertheless, the two countries revealed their goal to consolidate their decelerated economic relations by signing the Agreement Between the Government of the Republic of Turkey and the Government of the Hashemite Kingdom of Jordan on Trade and Economic Cooperation on 1 October 2019 (the "**Cooperation Agreement**").

Legal Framework of Commercial Relations Between Turkey and Jordan

The legal framework of commercial relations between Turkey and Jordan is mainly based on the following four bilateral agreements: **(i)** Agreement Between the Governments of the Republic of Turkey and the Hashemite Kingdom of Jordan for the Avoidance of Double Taxation and for the Arrangement of Some Other Matters with Respect to Taxes on Income and Capital signed on 20 February 1986; **(ii)** Agreement Between the Hashemite Kingdom of Jordan and the Republic of Turkey Concerning the Reciprocal Promotion and Protection of Investments signed on 2 August 1993; **(iii)** Agreement Between the Government of the Republic of Turkey and the Government of the Hashemite Kingdom of Jordan on Co-operation and Mutual Assistance in Customs Matters signed on signed on 1 December 2009; and **(iv)** Agreement Between the Government of the Republic of Turkey and the Government of the Hashemite Kingdom of Jordan on Trade and Economic Cooperation signed on 1 October 2019.

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Scope of Commercial Relations Between Turkey and Jordan

Trade between Turkey and Jordan is open to improvement. The Turkey-Jordan Business Council was established in 1994 within the scope of an agreement signed between the Foreign Economic Relations Board of Turkey and the Jordanian Businessmen Association. The aim was to increase commercial and industrial cooperation and joint investments between the two countries.

The trade figures for the last five years between the two countries reflects a decline in trade volume. The trade volume between the two countries, which was around USD 963 million in 2015, decreased to USD 625 million in 2020. The termination of the Free Trade Agreement played a major role in this decline. Nevertheless, in 2020, Jordan ranked 91st for Turkey's imports, whereas ranked 56th for Turkey's exports.

Although there is a reduction in the trade volume between the two countries, the variety of products subject to trade remains quite broad. The main product groups that Turkey exports to Jordan include machinery, mechanical devices and tools, iron and steel, plastics and their products, non-woven clothing and accessories, electrical machinery and devices and motor land vehicles, whereas the main product groups that Turkey imports from Jordan include jewellery, fertilizers, optics, photography, measuring tools, medical instruments and devices, inorganic chemicals, aluminium and aluminium goods, lead and lead goods, fruits and nuts and woven clothing.

Potential Investment Opportunities in Jordan

Jordan provides great convenience to investors due to tax advantages, such as low-income tax rates in investment regions, export incentives to investors, duty-free imports and income tax exemptions in free zones and duty-free import of production inputs. Jordan also occupies an important position as it serves as a gateway for Turkey to enter the Gulf countries' markets. In addition, when import and export figures are taken into account, Turkey continues to be an important exporter for Jordan.

Although the Free Trade Agreement between the parties has been terminated, it is foreseen that the parties will continue their economic cooperation within the scope of the Cooperation Agreement and bring the trade volume to the level of 2015 in the coming years.

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