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Global Forum on Competition

COMPETITION, STATE AIDS AND SUBSIDIES

Contribution from Jordan

-- Session I --

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-- Jordan --

1. Introduction

1. In the context of global economic shifts, and to be able to face the challenges arising there from and keep up with rapid changes, the Hashemite Kingdom of Jordan joined some global economic communities and applied economic corrective programmes, which collectively led to the liberalisation of the markets, the removal of trade barriers and the activation of the private sector's role.

2. In order to keep pace with these challenges, the policies that seek to establish economic freedoms and support market mechanisms had to be implemented.

3. Attaining a comprehensive policy to regulate competition is considered an effective instrument to protect the economic activities in Jordan, and is a cornerstone for a sustainable economic development and growth, and for ensuring transparency and integrity in all active institutions in the Market. The Competition policy and regulations can enhance the competition among institutions to allocate resources effectively, and to increase the community's economic welfare by the provision of the necessary goods to consumers at reasonable prices and high quality.

4. Activating market competition will contribute to the stability of goods' prices, guarantees a balanced market, and enhances the economic performance. Maintaining a high level of competition in the domestic market would raise the economic performance, and improve the competitiveness of the local institutions on the international level. Conversely, the anti-competitive practices performed by monopolist institutions will minimise the economic efficiency, disperse the resources, deepen the economic deformities, and decrease the motivations to creativity and innovation.

5. Accordingly, Jordan has become the first Arab State in the Middle East to adopt a national law to regulate the competition. The Competition Law no. (33) of 2004 was enacted as a permanent law on September 2004.

6. To ensure a successful execution of the competition policy and Law, and believing that there should be a special regulation to control competition in the modern economic regulations scheme to protect the investors from the negative impacts of the control of the dominant institutions, and to eliminate the restricting practices that minimise the freedom of economic activity. Thereupon, the Ministry of Industry and Trade established the Competition Directorate and incorporated it in the Ministry's organisational structure, supporting it with specialised cadres. The Directorate organised several awareness campaigns that aim to promote the competition culture and introduce the provisions of the Competition Law and its areas of application. In addition, the competencies responsible for implementing the Competition Law were qualified through a number of in-house and abroad specialised courses on competition.

2. Jordan's International Commitments:

- The Euro-Jordanian Association Agreement (article 53);

- A free trade area with the US;
- The Pan-Arab Market (The Arab Competition Regulations);
- Accession to Greater Arab Free Trade Area;
- The World Trade Organisation Treaty.

7. The law is based on free determination of prices in accordance with market mechanisms and principles of free competition, except for:

- Prices of basic commodities such as bread and fuel that are regulated by other laws;
- Temporarily price controls set by the government to cope with exceptional circumstances.

8. The law seeks to further free economic activities:

- Freedom to enter a market (entry barriers);
- Freedom to exit a market (exit barriers).

3. Competition Directorate

9. For the purpose of implementing the Competition Law, the Competition Directorate was established by the end of 2002 as a part of the Ministry of Industry and Trade, and it was the entrusted authority with implementing the Competition Law.

- The Competition Directorate tasks are:
 - Spreading the Competition Culture;
 - Setting Jordan's Competition Policy;
 - Conduct the necessary investigations of practices that may contravene competition;
 - Receive complaints and requests for economic concentration activities and exemptions and following them up;
 - Co-operate with similar entities outside the Kingdom for the purpose of exchanging information and data and in relation to the execution of competition rules to the extent permitted by international treaties;
 - Issue clarifying opinions in competition matters.

4. WTO and EU Commitments

- Jordan Accession to the WTO was on February 24th 2000 and Jordan became officially the 136th WTO Member on April 11th 2000.

- As a result of joining WTO, Jordan liberalised its services sectors providing market access to foreign investors and service providers of WTO Members in accordance with Jordanian laws and regulations.
- The Association Agreement, which entered into force on 1st June 2002, aims to create a free trade area between EU and Jordan by the year 2010, as well as to establish a comprehensive framework for political, trade, economic and financial co-operation.

5. EU-Jordan Association Agreement / Chapter 2 Competition and Other Economic Matters

- Article (53);
- Provision (1) the following are incompatible with the proper functioning of the agreement in so far they may affect trade between the community and Jordan:
 - Provision (1)
Subparagraph any public aid which distort or threaten to distort competition by favouring certain undertaking or the production of certain goods;
 - Provision (4)
Subparagraph (b): Each party shall ensure transparency in the area of public aid inter alia by reporting annually to the other party on the total amount and the distribution of the aid given and by providing upon request information on aid schemes upon request by one party the other party shall provide information on particular individual cases of public party.

6. Competition Law of Jordan and State Aid

- Competition Law of Jordan has no provisions on state aid;
- Due to Jordanian government budget financial challenges, the state aid is not significant;
- Jordan reduced its total domestic subsidies offered by the government to local agricultural producers by 13.3% out of JDs (1,539,199) over a period of seven years as of date of joining WTO;
- The ceiling of agriculture exports subsidies has been fixed at 0%;
- Export subsidies in the industrial sector which are considered prohibited under WTO agreements, a special programme by the Central Bank of Jordan to subsidise exports loans' interests was cancelled by December 31st, 2002;
- Due to Jordan's commitments under the WTO, the exemption of profits resulting from exports from income tax ended by the end of the year 2007.

7. State Aid Programmes in Jordan

10. In light of global economic developments, the challenges that are facing the industrial and services sectors and especially those related to technology transfer and capacity building. These called on the government and through Jordan Upgrading & Modernisation Programme (JUMP) and Jordan Services Modernisation Programme (JSMP) to support industrial and services companies to enable them to

overcome the challenges arising from the global financial crisis, and consequently boost their competitiveness and ability to penetrate new markets.

7.1 *Jordan Upgrading & Modernisation Programme (JUMP)*

11. JUMP is managed by a steering committee headed by H.E. Minister of Industry and Trade and is equally comprised of representatives from both the public and private sectors. The programme is managed by experienced national staff assisted by the best local and international expertise. This programme works to transform, integrate and bridge the Jordanian industry within the global economy. Moreover, this programme is looking forward to improve and sustain the competitiveness of Jordanian enterprises by enhancing their managerial capabilities and productive capacities.

12. Consequently, a total number of 636 companies have received this support to date.

13. By which the programme objectives are:

- Enhance productivity, improve product's quality, and reduce unit cost;
- Benchmark and adopt best international business practices;
- Develop strategic direction driven by market needs;
- Enhance capabilities of human resources;
- Substitute imported production inputs by local products.

7.2 *Jordan Services Modernisation Programme (JSMP)*

14. The Jordan Services Modernisation Programme (JSMP) is an EU funded programme focusing on the development and modernisation of the Services sector. Its duration is 3 years (2009-2011) with a total budget of €16 million. Beneficiaries of the programme are private service sector enterprises - Small and Medium size Enterprises (SMEs) - relevant business associations and public sector bodies.

15. The main objective of JSMP is to assist Jordan to fully benefit from the opportunities of trade liberalisation of services in the context of the General Agreement on Trade and Services (GATS) and the economic integration objectives of the Istanbul Protocol signed in July 2004.

16. A total of 43 service companies and organisations benefited last year from the Jordan Service Modernisation Programme (JSMP), according to Jordan Enterprise Development Corporation (JEDCO).

17. The JSMP initiative, which seeks to increase exports of service companies, enabled beneficiaries to overcome the impact of the global downturn through its grants.

18. The JSMP will support companies in the services sector through participating in trade fairs, upgrading their exports capabilities, supporting societies and organisations, assistance in obtaining quality certificates and providing support for newly established service companies.

19. The importance of the Programme emanates from the fact that the services sector represents around 62 % of the gross domestic product and that the local added value in this sector is the highest among other sectors which is between 50 % and 60 %.