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CRISIS CARTELS

Contribution from Jordan

-- Session III --

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-- Jordan --

1. Introduction

1. Jordan's economy suffered during the year 2010 that was reflected in the budget deficit and the increase in debt. This had directly impacted many economic sectors which were already suffering from recession as a result of the global financial crisis.

2. On the other hand, a slowdown in economic growth is facing the Jordanian economy. Moreover, attracting foreign investment had declined during the past two years, with net foreign investment flowing to Jordan during the first half of 2010 cut down to 903 million dollars compared with 1.5 billion dollars during the first half of 2009. And decreased foreign investment in 2009 increased by 17%, compared to the previous year, and the value of net direct investment from \$ 2.3 billion, compared with 2.83 billion U.S. dollars in 2008, which is no doubt that 2011 will involve the economic challenge of a great test on the ability to face challenges, most notably to try to boost the wheel of growth in many economic sectors and restrain the raise of unemployment ratio.

3. Another aspect of the economy after the crisis is to strengthen the role of the state in economic activities. It was so clear that without the intervention of monetary authorities and financial authorities by providing the required liquidity and incentives necessary to lift the economic activities of the repercussions of the crisis, then the economic situation will be worse than we have seen so far. Therefore, the lessons of the crisis to the next stage that reliance on market forces in controlling the rhythm of economic activities may not be sufficient alone, but needed to achieve a balance between ensuring the freedom of economic activity while ensuring a minimum level of state intervention to address the imbalances and restore requested economic balance.

4. Competition is considered a cornerstone of a free market economy and an effective element to ensure the sustainability of this economic system, so as benefits are reflected to all market parties, whether consumers who have access to goods and services at lower prices and higher quality or supporting producers to compete for getting a larger share from the market. In addition to, the incentives provided for continuous development and innovation.

2. Exemptions from the implementation of Jordanian competition law

5. There is no doubt that competition is not a goal but a tool used for achieving progress and economic recovery. As a result of this principle, the Jordanian Competition Law has passed the anti competitive agreements that would contribute to the achievement of progress and economic prosperity. These agreements and cartels are exempted of from the implementation of the provisions of the law upon the request of the institutions in concern. Some anti competitive practices, agreements, cartels and decisions are permitted in order to achieve specific and clear benefits for the national economy such as; improving the competitiveness of the institutions, production and distribution systems distribution, or to achieve certain benefits to consumers outweigh the effects of limiting competition, Within this perspective, the Competition Directorate analysis is always based on the case situation and the establishment of an

economic balance between the pros and cons of each exercise separately, if pros were more than the cons, the Minister of Industry and Trade may grant the exemption upon the recommendation of the Competition Directorate.

6. Moreover, the law has also exempted the practices arising from an enforced law which was not considered a distortion of competition within the law provisions, where these laws have provisions that limit the freedom of competition such as determining the prices of some goods and services. Also, the establishment of trade and professional unions with mandatory membership in order to exercise an economic activity, also some of them have the powers of fixing services prices and compensations.

7. With regard to exceptional circumstances such as economic crisis and emergency situations, the Jordanian law states to exempt practices falling within the temporary actions established by the Council of Ministers to meet these conditions. These proceedings are to be reconsidered within a period not exceeding six months from the beginning of the application. As a result of this economic crisis, the Jordanian government has taken a series of decisions such as stating minimum goods prices and services fees, in order to maintain price levels and ensure reasonable profit rates for producers and service providers. These decisions will ensure the continuity of the exercise of economic activities and maintain the labor of the risk of unemployment.

3. Dealing with cartels with regard to the economic crisis (practical issues)

3.1 Current losses in road freight transport

8. The economic recession has resulted in a significant decrease in the demand for freight transport services in Jordan, leading to a lower transportation fees. The individual owners of trucks were highly affected by the bulk of this decline, and met with transport companies, and both of them decided to form a coalition to address the problems of drivers and raise fees by tying transport companies to stop transporting by the current fees, which led to accumulated losses threatened the collapse of the road transport sector of the goods.

9. In order to address this crisis, the government intervened in order to maintain this vital sector, where the study of operating costs for trucks was conducted, and a decision was issued by setting minimum fees and a margin of reasonable profit for the transport of goods and containers from the port of Aqaba to the Kingdom by truck for six months, and this decision will be reconsidered after the expiration of this period.

3.2 Determine the prices of rice and sugar

10. The Kingdom witnessed a sharp rise in the prices of rice, sugar, ethylene, where the Competition Directorate studies showed that retailers are developing a very high profit margin which is exploited to the needs of consumers of these commodities. Since the Competition Law No. 33 of 2004 may take into consideration the interests and public benefits to consumers in addition to the protection of competition, as the importers of rice and sugar trader with price-fixing resale will contribute to the protection of consumers from the practices of some retailers and of excessive prices.

11. A decision was issued by the Minister of Industry and Trade which allows traders and importers of rice and sugar to print end consumer selling price on the packaging and bind retailers by that price.

3.3 An exemption request by the Jordanian Society of Chartered Accountants

12. The Jordanian Society for Chartered Accountants requested an exemption from the implementation of the provisions of Article (5) of the Competition Law No. 33 of 2004, to a practice

justified by the public benefit by setting the minimum audit fees, according to the nature of the facility that has requested this service. The Society has taken into consideration, that the minimum audit fees for private sector companies with relevance to the volume of work, according to the type of company, whether public shareholding or limited liability company or an individual institution and others, where the type of company is an indication of the volume of financial transactions.

13. The study prepared by the Competition Directorate that an exemption to the exercise of the Jordanian Society of Chartered Accountants of setting minimum fees for the audit in accordance with the nature of the facility requested the service will lead to positive results, with a public benefit as follows:

- Promoting the auditing profession, maintain the principles and strengthen the independence of the auditor.
- Increase the appeal for this profession and attract qualified personnel.
- Improve the quality of services provided by audit firms.

14. Accordingly, the Jordanian Society of Chartered Accountants as been granted this exemption for one year and this exemption will be reconsidered after the expiration of this period.