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PROPOSAL

From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
date of receipt:	26 January 2016
To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
No. Cion doc.:	COM(2016) 22 final
Subject:	Proposal for a COUNCIL DECISION establishing the position to be taken on behalf of the EU within the General Council of the WTO on Jordan's request for a WTO waiver relating to the transitional period for the elimination of its export subsidy program

Delegations will find attached document COM(2016) 22 final.

Encl.: COM(2016) 22 final



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Proposal for a

COUNCIL DECISION

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EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

The objective of this proposal is to establish the position to be taken by the European Union within the General Council of the World Trade Organization (WTO) on Jordan's request for a WTO waiver to extend until 31 December 2018 the transitional period under Article 27.2(b) of the Agreement on Subsidies and Countervailing Measures (SCM Agreement) for the elimination of the Jordan Export Subsidy Program. In July 2007 the General Council already extended the phase-out period for this measure to 31 December 2015. Jordan has introduced its waiver request on the basis of Article IX.3 of the WTO Agreement.

The waiver request would be the third extension of the transitional period to phase out the subsidy scheme. The first extension was granted in 2001 which brought the transitional phase out period up to the end of 2007. This was extended a second time in July 2007 when Jordan, among others was granted a further extension for the elimination of export subsidy schemes until 31 December 2015. While that decision stated that no requests for further extensions could be made, the current circumstances in the region could not have been foreseen at that time.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

Article 218(9) of the Treaty on the Functioning of the European Union (TFEU) provides that when a decision having legal effect needs to be taken in a body set up by an international agreement, the Council, on a proposal from the Commission or the High Representative of the Union for Foreign Affairs and Security Policy, shall adopt a decision establishing the position to be adopted on the European Union's behalf. The granting of a waiver to allow Jordan to extend the transitional period for the elimination of the Jordan Export Subsidy Program until 31 December 2018 falls under this provision as the decision is taken in a body set up by an international agreement (the WTO General Council or Ministerial Conference) affecting the rights and obligations of the European Union.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

N.a.

4. BUDGETARY IMPLICATIONS

N.a.

5. OTHER ELEMENTS

The Commission will be authorised to take a position on behalf of the EU to support Jordan's request for a WTO waiver to extend the transitional period for the elimination of the Jordan Export Subsidy Program until 31 December 2018, to the extent necessary to permit Jordan to provide partial or total exemption from income tax of profits generated from certain exports from 1 January 2016 until 31 December 2018. This prolongation will provide Jordan the

necessary time to design and implement an entirely new, WTO-consistent subsidies program to benefit the small- and medium-sized enterprises.

Until 31 december 2018, Jordan will continue to provide benefits under the program to the existing SMEs beneficiaries while trying to deal with the economic, financial and political difficulties and challenges arising from the ongoing regional volatility, the influx of refugees, the continuing impact of the global financial crisis as well as the accompanying crisis in the Eurozone. Jordan also considers that an extension would support its industry in the face of the significant instability in the region which has negatively affected its access to traditional markets in neighbouring countries as well as transit routes to international markets. Jordan, in its request, also notes that the reform measures taken by the Government and infrastructure projects including the development of alternative gas supplies are only expected to start producing positive effects on the competitive situation of the Jordanian private sector at the earliest from 2018 onwards.

According to Jordan, the prolongation of the transitional period for phasing-out the subsidy scheme until 31 December 2018 should not prejudice the interests of other Members not benefiting from such treatment. Jordan has also indicated that it foresees no further requests for extensions beyond that date.

The EU recognises the economic challenges caused by the extraordinary and unique regional political environment that Jordan continues to face, including the significant influx of refugees from neighbouring countries and associated financial burden, the disruption of trade with regional partners such as Iraq and Syria and additional costs resulting from the disruption of traditional energy supplies from Egypt and of road transit routes across Syria to Turkey.

For the EU, continuation of the export subsidy programme is unlikely to have any significant economic impact. Jordan's share of world trade is very small (0.04% in 2013). The bilateral trade balance between the EU and Jordan is overwhelmingly in the EU's favour with EU goods exports to Jordan accounting for 92% of the total €4.0 billion bilateral trade in goods in 2014. At the same time Jordanian products are not in significant competition with EU exports on third country markets.

In light of these considerations, the EU can join the emerging consensus in favour of the waiver request in the WTO General Council.

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular the first subparagraph of Article 207(4), in conjunction with Article 218(9) thereof,

Having regard to the proposal from the European Commission,

Whereas:

- (1) Paragraphs 3 and 4 of Article IX of the Marrakesh Agreement establishing the World Trade Organization ('WTO Agreement') set out the procedures for the granting of waivers concerning the Multilateral Trade Agreements in Annex 1A or 1B or 1C to the WTO Agreement and their annexes.
- (2) On 27 July 2007 Jordan was granted an extension, which was continued until 31 December 2013 with a phase-out period ending on 31 December 2015, in accordance with the procedures for continuation of extensions pursuant to Article 27.4 of the SCM Agreement of the transition period under Article 27.2(b) of the SCM Agreement for certain developing countries, for the elimination of its export subsidy program which takes the form of partial or total exemption from income tax of profits generated from certain exports.
- (3) Pursuant to paragraph 3 of Article IX of the WTO Agreement, Jordan submitted a request for a waiver from its phase-out obligation set out in Article 27.4 of the SCM Agreement until 31 December 2018.
- (4) The granting of this waiver would not affect negatively the economy or trade interests of the European Union while supporting Jordan in its efforts to address the economic challenges it faces as a result of the difficult and unstable political situation in its region.
- (5) It is appropriate, therefore, to establish the position to be taken on behalf of the Union within the WTO General Council to support the waiver request by Jordan,

HAS ADOPTED THIS DECISION:

Article 1

The position to be taken on behalf of the Union within the General Council of the World Trade Organization shall be to support Jordan's waiver request relating to the extension of the transitional period for the elimination of its export subsidy program until 31 December 2018 in accordance with the terms of the waiver request.

This position shall be expressed by the Commission.

Article 2

This Decision shall enter into force on the day of its adoption.

Done at Brussels,

*For the Council
The President*