Privatization

Syria

The Syrian central bank said it will begin taking applications to let private banks operate in the country, one of a series of steps pledged to overhaul the country's centrally planned economy. Syrian President Bashar al-Assad, has emphasised the development of modern financial institutions as a priority of his reform strategy. (MENA Financial, 03/04/02, www.menafn.com)

Telecom

Egypt

Egypt, the largest Arab communications market, is undergoing fundamental changes by way of liberalization and privatization. A new Arab Advisors Group report predicts that GSM and fixed revenues are expected to exceed $3.17 billion by 2006, up by $1.3 billion from revenues in 2001. The Egyptian Telecommunications regulatory landscape is currently undergoing a fourth regulatory phase that is said would end with the liberalization of all communications markets by 2005. (Al-Bawaba news, 19/03/02 www.albawaba.com)

Telecom Egypt (TE) has given a two weeks extension (until April 7, 2002) to international companies bidding for the contract to supply equipment for the GSM system. Although the schedule for the start-up of the service is the end of 2002, industry executives say there could be a delay, as TE and the government are reviewing the issue of timing. (MEED 29/03/02 www.meed.com)

Tunisia

Orascom Telecom Tunisia, a consortium including a number of Tunisian businessmen, banks and international investors and led by Egypt's Orascom Telecom (OT) has been awarded the 15-year license to set up a second GSM network in Tunisia. OT, that holds a take of 35% shares in the winning consortium, will pay $454 million for the licence, 50% on signing and the remainder before the end of 2002. The other bidders
were National Mobile Telecommunications Company (Wataniya Telecom) of Kuwait and Spain's Telefonica. *(various sources)*

State-owned operator Tunisie Télécom and telecoms engineering firm Société Tunisienne d’Entreprises de Télécommunications (Sotel) have acquired a 51% share in Cameroon’s telecoms company, Camtel, which runs the Cameroon’s fixed-line telephone network. Tunisie Télécom, that also won the license to operate Mauritania’s first GSM network in 2000, will soon be facing increased competition at home following the early-March award of the country’s first private GSM licence to Egypt’s Orascom Telecom. *(MEED 15/03/02 www.meed.com)*

**Oman**

The Government has moved one step closer to the *privatisation of Oman Telecommunications Company (Omantel)* with the publication of a new law governing the local telecoms sector. The law, which came into effect in late March, sets out the regulatory framework and terms by which foreign investors will be granted licences to operate in Oman. The Transport and Telecommunications Minister is expected to head the regulatory body, which will include at least three non-governmental board members. The information memorandum for the sale of Omantel is expected to be issued by mid 2002. *(MEED 29/03/02 www.meed.com)*

**Transport**

**Algeria**

US–based *Sterling Merchant* is advising the Algerian Transport Ministry on its plans to transfer the operation and management of *Houari Boumediene Airport* in Algiers to a private concessionaire. The Ministry is expected to launch an invitation to tender this month and to award the contract in September 2002. Works are expected to start at the beginning of 2003. Potential operators will first have to finish construction of the airport, as the outer shell of the passenger terminal is still only 85% complete. The building is expected to service 6 million passengers a year, bringing the total number of travellers using the airport to 8.5 million a year. *(MEED 29/03/02 www.meed.com)*

**Morocco**

The Government of Morocco has decided to convert the National Railway Authority (ONCF- Office National des Chemins de Fer) into a *state-supervised shareholding company*, which will run the railway transport sector. The initiative is first of a future wave of privatization schemes to take place within Morocco’s air, land and sea transport sectors by 2010. The Moroccan railways system is 1,907-kilometers long, and transports 12 million passengers annually. Passengers traveling between Casablanca and Rabat constitute half of the overall railway users. *(Reuters Business Briefings, 01/03/02)*

**Bulletin**

**European Commission**

The twelfth session of the *EU/Gulf Co-operation Council* (Bahrain, United Arab Emirates, Saudi Arabia, Oman, Qatar and Kuwait) took place in Granada, Spain, on February 28 and allowed both sides to re-launch economic and trade relations. The two delegations committed themselves to accelerate the negotiations of a Free Trade Agreement, to focus their future co-operation on a limited number of fields such as
energy and business co-operation, and to encourage reciprocal investment. (*European report 02/03/02*)

EuropeAid has just published its *Annual Report on the implementation of the Commission’s External Assistance in 2000*. It includes a chapter on the South Mediterranean, Near and Middle East, and features a number of tables. ([http://europa.eu.int/comm/europeaid/reports](http://europa.eu.int/comm/europeaid/reports))

The MEDA funded *Euro-Mediterranean Energy Policy Training Network* is now publishing a ‘Project Newsletter’ dealing with energy matters in the Mediterranean region. The Project Contact Point is the National Technical University of Athens (EPU-NTUA [http://mednet.epu.ntua.gr](http://mednet.epu.ntua.gr)). (*Euromed Synopsis 21/03/02*)

**EU/European Investment Bank**

The EcoFin Council of March 14, 2002 decided to constitute a “reinforced Euro-Mediterranean Investment Facility” within the EIB, complemented with the Euro-Mediterranean Partnership arrangements and an EIB representative office located in the area. On the basis of an evaluation of the Facility’s performance, a decision on the incorporation of an EIB majority-owned subsidiary dedicated to the Mediterranean Partner Countries will be considered and taken one year after the launching of the Facility”. (*EcoFin Council’s recommendation*)

**Jordan**

The organizers of the *Fourth Mediterranean Development Forum*, which was scheduled to be held April 7-10, announced the postponement of the Forum “due to the unraveling dramatic events in Palestine and the escalating tension” in the region. A new date will be announced “as soon as the situation allows us to reconvene in Amman.” The regional forum brings together over 500 representatives of governments, private sector experts, think tanks and NGOs to debate ways to develop and consolidate partnerships between governments and the private sector in the service of development. (*Jordan Times www.jordantimes.com*)

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**Competition Policy in MEDA Countries: A Luxury or a Necessity?**

by Damien Geradin, Consultant PPMI and Professor of Competition Law at the University of Liege and at the College of Europe in Bruges

For a variety of reasons, many Mediterranean Partners\(^1\) have decided to switch from a model of a centrally planned economy to free trade and market-oriented policies. MEDA economies, which are still often characterised by inefficient firms operating in small and highly concentrated markets, will strengthen such market-oriented reforms through the adoption of a competition law framework. Competition rules will not only help achieve lower prices, stimulate innovation and ensure consumer satisfaction; but also foster business discipline, culture and ethics, especially as State monopolies are

\(^1\) The 12 Mediterranean Partners are Cyprus, Malta, Turkey, Morocco, Algeria, Tunisia, Egypt, Jordan, Israel, Lebanon, Syria, and West Bank and Gaza.
privatised and trade is progressively liberalized. This note provides a basic discussion of the main objectives, features and instruments of competition law frameworks. It also surveys the situation in terms of adoption of a competition law in MEDA countries and outlines the growing pressures that will be placed on these countries to adopt competition rules. It finally draws attention to some issues that should be kept in mind by countries that are planning to adopt a competition law.

Competition rules seek to protect or promote competition by preventing anti-competitive behaviours, and developments in industry structure that facilitate such behaviours. A very large number of countries (in 2000, 82 countries had a competition law) have adopted or plan to adopt competition rules. Such laws are generally enacted at a national level, but there are instances when they are adopted and implemented at a regional level. The European Union (EU) competition law is the best example of a "regional" competition law. The basic provisions of this law can be found in the Treaty of Rome and, over the years, have been developed by the European Commission (EC) into a sophisticated competition policy, which is applicable to the economies of the 15 Member States of the European Union.

Competition rules are generally applicable to most economic activities, unless specific exemptions are granted. Given their wide scope of application, such rules tend to prohibit relatively broad categories of behaviours and to leave a relatively wide degree of discretion to enforcing authorities. Antitrust rules generally focus on one relatively specific objective, which is to foster economic efficiency, so as to maximise consumer welfare, through the promotion of competition. It should be noted, however, that in some jurisdictions, competition law seeks to achieve a range of other policy goals under the rubric of public interest, including fairness, regional development, promotion of employment, and pluralism or diffusion of economic power through promotion of small and medium-size businesses.

Most competition laws are generally designed: (i) to prevent the conclusion of anti-competitive agreements between operators (e.g. agreements aiming at fixing purchase or selling prices, limiting or controlling production or investments, sharing markets or sources of supply or bid rigging); (ii) to prevent firms which enjoy substantial market power from abusing their dominant position with respect to end-users and competitors prohibited abuses will generally include limiting production, refusing to deal with particular buyers or sellers, imposing excessive or predatory prices, raising rivals' costs, imposing discriminatory prices to different buyers for the provision of similar services under similar conditions, conditioning the sale of a product to the purchase of another unrelated one); and (iii) to prohibit mergers and acquisitions which have a strong negative impact on competition.

In many parts of the world, competition rules have been applied to infrastructure sectors and have played a central role in the market opening reforms in such sectors. The European Commission, for instance, has vigorously applied competition rules to prevent incumbent telecommunications operators to exploit their market power through abusive pricing schemes at the expense of their customers. In competitive markets, such as mobile telephony, the EC has relied on competition rules to prevent price-fixing and other collusive practices between operators. In the European Union, competition law is thus seen today as an essential complement to sector-specific regulation in order to create and maintain competitive markets in infrastructure sectors.

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4 Information on EU competition policy can be found on the web-site of the European Commission’s Competition Directorate at http://europa.eu.int/comm/competition/index_en.html
Competition rules are generally implemented and enforced by specialised bodies (generally referred to as “Competition Authority” or “Competition Council”). These bodies can be entrusted with various responsibilities such as: (i) initiating investigations of, or reviewing, potentially anti-competitive behaviours or transactions; (ii) prosecuting such behaviours (and, in some cases, passing judgments and imposing sanctions upon parties convicted of having committed anti-competitive actions); and (iii) advising the Government and other State bodies on competition-related matters.

As one of the main objectives pursued through the establishment of an antitrust authority is to ensure that an entity possesses the technical capacity required to decide complex matters in the competition field, competition authorities generally seek to attract highly qualified professionals. In addition, competition authorities are often granted some degree of protection from political interventions in their day to day activities. Some measures are usually adopted to ensure the independence of the competition authority from the enterprises that come under its scrutiny.

While all OECD countries have adopted competition rules, only 5 of the 12 Mediterranean Partners have so far adopted a competition law (see Table below). It also appears that in some of the countries that have adopted a competition law, this law has been only occasionally implemented. For example, in Tunisia, one of the forerunners in adopting competition legislation in the MEDA region, the “Direction Générale de la Concurrence et du Commerce Intérieur” only issued 3 decisions over the first 6 years from its initial creation (in 1991). By contrast, in Turkey, enforcement of the 1994 Law on the Protection of Competition has been more vigorous, the Turkish Competition Authority having investigated a significant number of cases these last few years.

It is sometimes argued that “small” economies do not need a competition law framework. This argument fails, however, to convince. The risks of anti-competitive behaviours, and the resulting losses of economic welfare, do not depend on the size of an economy, but on the degree of concentration of its markets. In this regard, transition economies, such as MEDA countries are generally highly concentrated, thereby providing a fertile ground for collusive practices and abuses of market power. Moreover, the risks created by this high degree of concentration are often exacerbated by the fact that some sectors continue to be protected by import restrictions or other comparable measures, thereby creating barriers to entry for new competitors. Leaving anti-competitive behaviours unchecked means that both businesses and consumers will often pay too much for the products and services they purchase. As far as businesses are concerned, paying higher prices will translate into a lower degree of competitiveness than their foreign competitors, which are able to buy their inputs at cheaper prices.

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5 While some competition authorities possess the powers to investigate, prosecute and judge anti-competitive behaviors, it is generally considered preferable to have these tasks carried out by distinct bodies.

6 The decisions to the Turkish Competition Authority can be found on its web-site: http://www.rekabet.gov.tr
It is likely that in the years to come, hot international developments will put growing pressure on MEDA countries that do not yet possess a competition law to adopt one. Competition policy has become over the years one of the most hotly debated issue in international trade negotiations taking place in the World Trade Organization (WTO). Some of the WTO members, such as the European Union, see competition policy as the natural complement to trade liberalisation. The emphasis of the European Union on competition is also illustrated by the insertion of competition law principles in the agreements it has signed with some MEDA countries. For instance, the association agreements in progress with Tunisia, Israel, Morocco and the Palestinian Authority. These agreements also contain provisions dealing with State monopolies of a commercial character, as well as public undertakings and undertakings enjoying special or exclusive rights.

While adoption of a competition law framework is desirable, it is by no means an easy process. To make adoption of such a framework a success, attention should in particular be paid to the following aspects:

(i) educate the political class, industry and the public about the benefits that could be generated by adoption of a competition law. This will help build consensus for adoption of the law and will facilitate implementation of the law once it has been adopted;

(ii) avoid drafting a law that contains unclear or ambiguous provisions (as it will lead to difficulties of interpretation and might have a negative impact on implementation), and that contains many exemptions (as it will render the law toothless);

(iii) create a competition authority that is independent from industry and the government and that possess adequate powers and resources;

<table>
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<tr>
<th>COUNTRY</th>
<th>COMPETITION LEGISLATION</th>
<th>YEAR</th>
<th>ENFORCING BODY</th>
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<tr>
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<td>EGYPT</td>
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<td>Trade Restrictions Law</td>
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<td>JORDAN</td>
<td>Draft Competition Law</td>
<td>1998</td>
<td>-</td>
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<td>Law of unethical competition and commercial secrecy</td>
<td>2000</td>
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<td>LEBANON</td>
<td>Draft Competition Law</td>
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<td>LIBYA</td>
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<td>MALTA</td>
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<td>PALESTINIAN AUTHORITY</td>
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<td>SYRIA</td>
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<td>TUNISIA</td>
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<td>Competition Law</td>
<td>1994</td>
<td>Rekabet Kurumu Baskanligi (Turkish Competition Authority)</td>
</tr>
</tbody>
</table>
(iv) provide for a redress mechanism for consumers and firms that have suffered from anti-competitive practices. Private intervention is often an effective way to enhance enforcement of the competition law;
(v) seek support from an existing and experienced Competition Authority to benefit from this body’s experience to develop sound principles and procedures; and
(vi) provide proper competition law training to the judiciary (as judges may have to hear appeal on the competition authority’s decisions).

**Upcoming Seminars and Training**

**Competition and Regulation**

Institute of Economic Affairs

“*The Future of European utilities*”
- Location: Brussels, Belgium
- Duration: May 28-29, 2002
- Language: English
- For more information: [www.marketforce-communications.co.uk/conferences](http://www.marketforce-communications.co.uk/conferences)

Oxera

“*Utilities Regulation*”
- Location: New College, Oxford, United Kingdom
- Duration: April 8–12, 2002 and September 9–13, 2002
- Language: English
- For more information: [http://www.oxera.co.uk/oxera/public.nsf/Documents/UtilityRegulation](http://www.oxera.co.uk/oxera/public.nsf/Documents/UtilityRegulation)

WB-EC PPMI Programme and College of Bruges

“*Concurrence et régulation dans les infrastructures*”

*Perspectives pour la Région Méditerranéenne*
- Location: College of Bruges, Belgium
- Duration: July 14-21, 2002
- Cost: € 2.000 (MEDA participants) € 3.000 (other participants)
- Language: French
- For more information: ppmi@worldbank.org

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