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## **Beyond the financial crisis: the role of competition**

### **Outline of presentation**

#### **Present situation**

- After recession in 2009 move back to modest economic growth in 2010
- Remaining fragility of the financial system and lack of trust in stability: recent polls in the UK and France show a persistent lack of confidence in financial institutions and fear that the crisis can reoccur
- Massive Government interventions to provide emergency relief to the financial and corporate sector
- Within the MENA region, access to finance has become more difficult in particular for start-ups and innovative enterprises

#### **Questions**

- What can competition policy do to help manage the crisis and to move to sustainable recovery?
- Is competition policy and competition law enforcement in tune with Government relief measures?
- Do crisis and post-crisis strategies call for adjustment of the objectives and methods of competition law enforcement?
- What is the role of competition policy in the MENA region?

## **Definitions**

- Competition policies in a broad sense are understood to include all strategies and policy measures designed to promote economic efficiency by strengthening the functioning of markets
- Competition law includes all measures designed to combat practices by market operators that restrain competition , in particular collusive behavior, abuses of dominant positions and anti-competitive mergers

## **Origins of the financial crisis**

-combination of market and regulatory failures

### a) market failure

- oligopolistic structure of the financial sector
- perverse incentives for excessive risk taking
- disconnect of finance and the real economy

### b) regulatory failures

- large unregulated segments of the financial system
- insufficient powers of detection and sanction
- lack of transparency of risk and risk management systems
- deficiencies in corporate governance ( deficiency of internal controls and proper risk management, conflicts of interest, dysfunctional boards)

## **Main relief measures**

- Bail outs: recapitalization and subsidies
- countercyclical investment programs
- state participations
- tolerance for mergers and distortions to competition

## **Competitive effects of relief programs**

- higher levels of concentration
- shifting the balance between market competition and regulation
- resurgence of state capitalism
- public/private partnerships and investment programs to meet planetary challenges ( climate change)

## **Role of competition in crisis and post-crisis policies**

- Staying the course: no tolerance for cartel type behavior
- Resisting protectionist pressures
- Stepping up consumer protection policies
- Flexibility for restructuring and merger operations
- Exit strategies for state intervention ( eg re-privatization of enterprises totally or partially nationalized during the crisis)
- stronger advocacy role of competition authorities

## **Competition policy in the MENA region**

- few countries have modern competition laws
- lack of experience with enforcement
- insufficient interaction between competition and other economic policies
- absence of competition in economic integration strategies

## **Tunisia as a model?**

- integration of competition with economic liberalization and competitiveness strategies
- dual structure of competition authorities (Ministry and Council)
- an emerging advocacy role of competition authorities
- state-of-the art legislation and peer reviews by international bodies
- a national competitiveness institute and an indicative process of economic planning and public/private sector co-operation
- emerging competition culture.

## **Towards a MENA competition program?**

- National studies and workshops
- Training of enforcement officials and judges
- Integration in curricula for higher education
- Exchange of experience at a regional level –creating a MENA forum for competition?
- Peer reviews of national legislation and policies
- Advice on the design of competition laws and agencies
- Twinning programs and institutional partnerships.