



**REGIONAL CONFERENCE ON COMPETITION POLICY,
COMPETITIVENESS, AND INVESTMENT IN A GLOBAL
ECONOMY**

Royal Palm Hotel, Dar es Salaam, Tanzania

May 10-12, 2004

Mozambique

Confederation of Business Associations

Vision

A strong and dynamic private enterprise sector that contributes to economic and social well-being of Mozambicans

Mission

To contribute to business environment that is favourable to the development of the private sector and to a strong and participatory, socially responsible associative movement able to influence policies and promote entrepreneurial competitiveness and quality

Competition Policy in Mozambique: An Assessment and Recommendations

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I. Introduction

(1)

Mozambique Environment

- Achieved peace and macro- stability
- Growth has averaged almost 9% since 1996
- PARPA envisages poverty reduction of 50-70%
- PARPA goals require average growth of about 8% for next decade

I. Introduction

(2)

- Does Mozambique need competition policy? And if it does, what should it look like?
- Mozambique may benefit from a competition policy; but it is not yet ready for one.

I. Introduction

(3)

- The foundations, institutions and stakeholders required to enable a successful competition policy are not yet present in the country.
- They have to be built, nurtured and prodded.

II. The historical and economic setting

(1)

- Following its emergence from colonialism in 1974, the Mozambican economy was a virtually closed economy
- Since the end of the 1980's , Mozambique Government systematically directed its efforts towards an increased liberalization of its economy and a broader role for the private sector.

II. The historical and economic setting

(2)

- Mozambique's active steps towards a successful entry into the globalized economy consisted of a series of standard stabilization measures such as fiscal adjustment, monetary restraints and a devaluation of the exchange rate.
- The objectives of the Mozambican reform were to propel the nation towards increased competitiveness, growth and improved living standards.

II. The historical and economic setting

(3)

- So far, results have been encouraging. Substantial price decontrol and vigorous trade liberalizations appear to have enhanced microeconomic efficiency and the capacity of the economy to withstand external shocks.
- Price liberalization has been vigorous and comprehensive. In 1986, products with fixed prices accounted for about 70 percent of GDP

III. Institutional & economic considerations (1)

- An optimal policy should address the salient competition problems in an economy with close regard for its present-day institutional and economic setting.

III. Institutional & economic considerations (2)

- Thus, before a final determination on the type of policy best suited for Mozambique it is important to identify its salient problems, such as:
 - Tariff and Non-Tariff Barriers: the Emergence and Persistence of Pressure Groups
 - Small Markets and Minimum Efficient Scale Economies
 - Competitive Pressure from the Informal Sector
 - Unavailability of Firm Level Data
 - The Weaknesses and Limitations of a Judicial System
 - Limited Human Capital & Resources
 - Lack of a Market Culture

IV. An Optimal Competition Policy for Mozambique (1)

- As have most countries, Mozambique could simply copy a foreign law and adopt the full array of practices.
- Mozambique Competition policy should:
 - Contains advocacy tools to challenge anticompetitive behavior by the government.
 - Contains consumer protection elements that dovetail with its overall goal of speaking for consumers

IV. An Optimal Competition Policy for Mozambique (2)

- o Embraces objectives consistent with the nation's broader goals of liberalization and deregulation.
- o Strives to allay the fears of a populace fearful of a free market after many years of state mismanagement.
- o Represents a voice for market forces often at odds with the government, often at odds with the private sector.

IV. An Optimal Competition Policy for Mozambique (3)

- Obviously, an effective competition policy must reflect Mozambique's institutional and economic realities.
- So I encourage, urge and recommend that Mozambique embrace the most appropriate competition policy targeted towards the relevant problems based on a careful examination of the present stage in its transition process.

IV. An Optimal Competition Policy for Mozambique (4)

- The main focus of a Mozambican Competition policy should be to:
 - Forcefully challenge government anticompetitive behavior, a focus entirely consistent with increased openness and trade.
 - Remove blockages to increased trade and to move the Mozambican economy along a path towards integration into the world economy.
- Cartels and monopolies cannot coexist with trade and imports.
- Prohibitions on price fixing would represent the core antitrust policy.

V. way forward (1)

- Mozambique should continue to build on the interest expressed on competition policy. Specifically:
 - Assemble a technical unit within the ministry of industry and commerce.
 - A technical unit will serve as a focal point for the steps necessary to garner support, funding, assistance, training, education, constituency building.
 - The technical unit should pursue a draft law. Within the law, naked cartels should be proscribed.
 - A prohibition and vigorous prosecution of horizontal price fixing is indispensable.
 - The law should empower the agency to review any proposed bill or statute within the government.

V. way forward (2)

- The competition agency should be ultimately constituted as an independent agency.
- An agency staffed by well-trained attorneys and economists.
- The nature and pressures of politics are inescapable.
- But only as an independent entity can a competition agency enjoy a modicum of immunity from the more pedestrian political influences, confident that it can speak with authority and professionalism.

Thank You

Obrigado