

Proceeding of 2nd NRG Meeting held in Addis Ababa on 25th March 2006

Our world is in a turbulent stage of competition, which invites business firms and individuals to pass through these obstacles. Through the foundation of the market economy, it has been realized that competition brings together supply and demand that contributes for the nation economic growth. Commodities and industrial products began to enter into the market to full fill the interest of consumers at a competitive and affordable price. In theory, effective allocation of goods among producers and consumers can be achieved by eliminating constraints and distortions allowing markets to operate competitively in which such principle is expected to ensure consumer choice. In other words, competition is a process of economic rivalry between market players to attract consumers. In the market structure, competition can be divided into perfect and imperfect; monopolistic, monopoly, oligopoly, etc.; fair and unfair.

In net shell, competition is a “situation, which ensures that markets always remain open to potential new entrants and that enterprises operate under the pressure of competition”. However, due to the imbalance nature of population growth and depletion of natural resources, markets are generally imperfect leaving consumers at a disadvantage position, particularly, in terms of information and negotiating power. Such imperfect and or unfair nature of market invited the prevalence of competition policy and law in the world.

Since 1991, following the change of government in Ethiopia, by and large market oriented economy is prevailing. In this market led economy competition policy and law are the most crucial factor to benefit consumers, producers and suppliers and it is from this point of view that AHa Ethiopian Consumer Protection Association shouldered to work on the area of competition policy and law.

Today, the association came up with the findings of the experts survey and draft output research for your valuable judgment, opinion, suggestion and comment to strengthen this finding so that helps our government to formulate competition policy and strongly works on the implementation of competition law to serve the society at large. Hence, I would like to invite you all the National Reference Group critically to comment on the research at full liberty.

Finally, the speaker presented his appreciation and thanks for those who have supported the project in material, opinion, and financial matters. CUTS basing its headquartered at India for the financial assistance to conduct this research, the executive committee of the association, experts who participated in conducting field survey, data analyses to make the work fruitful. Last but not least, I would like also to thank you all the NRG for coming to participate and take part for the development of this finding.

The NRG meeting participants raised issues like the the role and basic feature of government granted monopoly role in the economy in the course of privatization process.

In this case, as the economics theory or doctrine asserts that government monopoly is an economic structure, which is not adahre as a form of coercive monopoly in which a government agency is the sole provider of goods and services. Government-granted monopoly (also called a "de jure monopoly") is a form of coercive monopoly, which a government grants exclusive privilege to private firms and individuals to be the sole provider of goods or services; potential competitors are excluded from the market by law and regulation or other mechanisms of government enforcement.

A coercive monopoly is not only a sole supplier of a particular kind of good or service, but also there is no opportunity to compete through means such as price competition, technological or product innovation, or marketing entry into the field is closed. As a coercive monopoly is securely shielded from possibility of competition, it is able to make pricing and production decisions with the assurance that no competition will arise.

In a business ethics, a coercive monopoly is a form of monopoly where a firm is able to make pricing and production decisions independent of competitive forces because all potential competition is effectively barred from entering the market.

Advocates for government-granted monopolies often claim that they ensure public control over essential industries, while opponents often criticize them as political favors to corporations and as distortions of the free market.

In this regard, some participants stress, the emergence of government- granted monopoly in Ethiopia is the reflection of the prevalence of unfair competition. The opponents of government-granted monopoly argued to urge the government to restrict such irresponsible trade practice.

Although, this point of argument were raised during NRG meeting, most of the participants raised issues like:

1. The role of World Trade Organization (WTO) in global economy and its merit and demerit of being a member and its course of accession to WTO;
2. The problems of value added tax;
3. Elements of anti-competitive practices;
4. The problems of law enforcement in Ethiopia that affects consumers;
5. The need to widen consumer movement in all over Ethiopia (National Regional States);
6. The need to support consumer movement by government;
7. The issues of land policy, i.e either to privatize or remain in the hands of government;
8. Limitation of awareness on competitive market and the concept of free market economy;
9. The existence of unfair trade practice proclamation and its practices or actions;
10. The area of investment policy and implementation;
11. The unaffordability of telecom sector and the like have been raised during the NRG meeting.

12. The importance of mass-media to promote and disseminate consumers related issues.

Many of the participants forwarded their opinion for the development of the research titled “competition policy scenario in Ethiopia”. Economic theory reveal that as price increase the demand of goods and services decline in a proportionate or disproportionate manner. The cost of living of the consumer become dramatically high, and reach --- to its clamax to the extent possible that consumer protection become nullfied. Practical experience dipects this facts. Our utility sector monopoly dominance ensure the unfair competation deligence. The government owned service provider the Ethiopian the postal service, Ethiopian telecommunication and Ethiopian electric power corporation has a salient feature on abuse of monopoly position. This was the main isse that the participant want to emphasise and aspire competition policy and law is the timely and hot issue. For instance, the participants illustrated the Ethiopian Postal service set a regulation, when a consumer wants to send his mail or lagguge through post office, set a price rate for every 250 grams charges ETB 0.55, suppose it exceeds about one gram the consumer is obliged to pay for 500 grams setting price.

We can imagine that where lies the justices and fairness of the trade practice prevailed in the economic sector. The 2nd NRG meeting thoroughly discussed over the prepared country research reports and forwarded their opinion, suggestions, and recommendation as follows.

The participants of the conference (NRG meeting) appreciated the efforts of the association for conducting nation-wide research on competition policy in Ethiopia in collaboration with consumer union trust society. Although, protecting the consumer rights and interests/welfare seems impossible in the country government granted monopoly prevailing, the government, National Regional States, civil society in Ethiopia, business community, consumers, and others have to support and strengthen consumer protection association.

In the trade practice investigation commission, consumer protection association has to represent consumers as per the trade practice investigation proclamation. With regard to the telecom sector, the participants of the NRG meeting argued that as the telecom sector is among the highest contributors of government revenue, the government is not willing to privatize the sector. Some argued, it is too difficult to privatize the sector then liberalize it.

Achievements

The country research report prepared by the AHa ECoPA experts and the draft research distributed for comment to the members of National Reference Group and other concerned individuals. On 25th March 2006 the 2nd NRG meeting held in Addis Ababa at RAS Hotel. The meeting was attended by 28 NRG members. The CUTS representatives observed the presentation and discussions. This helped the association to judge how far its endeavour concretised and strongly establish its organiztional effort in thecountry. The distribution of draft research paper for comment and collection of its final output from different government departments makes a delay to finalize and send the activity and financial reports. Though the report is delay, we have believed that it triger us to make the paper fullfliged and hollistic.