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**Communication submitted by**  
**the ISLAMIC REPUBLIC OF IRAN**

# **STATEMENT**

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In The Name Of Allah, The Compassionate, The Merciful

Mr. Chairman,

At the outset , I Would like to express my sincere thanks and appreciations to UNCTAD Secretariate and Commission on Investment , Technology and Related Financial Issues for organising this meeting and Previous meetings in this regard.This Forum provides a valuable opportunity for exchanging views and experiences regarding the competition Policy and its challenges and opportunities for different countries.It is my hope and expectation that the outcome of deliberations in this meeting could facilitate the effective adoption of competition policy with minimum negative side effects on the functioning of different economies.

Mr. Chairman,

The importance and merits of competition policy is a fact which could hardly be denied , but in adoption of this policy the specific requirements and development needs of different countries should be taken into account.Ways and means have to be developed to provide technical and if possible financial support to countries which face problems in implementing such policies. All efforts should also be made to mitigate the possible adverse effects which the adoption of such policies could entail for weak and vulnerable economies and in this respect gradual implementation of these policies is warranted and justified.

Mr. Chairman,

We in Iran attach great importance to the merits of the implementation of competition policy and concerned authorities have embarked upon a comprehensive plan for the gradual implementation of the policy in the different sectors of the economy. In this respect it has to be noted that the competition policy in Iran is closely related to the expanded size of public sector due to the heavily dependence of the economy of the country to oil proceeds.

In early twentieth century, the Iranian government established state enterprises to promote economic growth and public welfare, but these entities gradually increased their market power and their role in price and quantity determination, to the extent that anti-competitive practices, became a dominant feature of state enterprises.

The process of enacting competitive practices in Iranian economy started from first five year plan (1989-1993) and continued in second five year plan (1995-1999) .In the third five year plan (2000-2004) this trend has been accelerated. In fact in the latter plan a comprehensive and detailed strategy and guideline have been introduced to combat monopoly and foster competition. The strategy is of multifaceted dimension and covers a wide range of activities which are capable to combat monopolies and facilitate anti-competitive practices.

According to executive regulation of the third five year plan all concessions accrued to State Enterprises, are going to be reviewed with a view to identifying the instances which enable those enterprises to enjoy privileged position compared to the firms in private and cooperative sector of the economy and take appropriate measures to rectify the situation and provide equal opportunities for all firms and hence promote competition in the economy.

All executive branches within the government are entrusted with the task of identifying the prevailing anti-competitive laws, regulation and practices and those which are conducive to the creation of monopoly situation and in order to enact anti-competition legislation propose bills. In the proposed bills due account should be taken of the following points and considerations:

A-Providing equal grounds and opportunities for all sectors in the economy (public , private and cooperative sectors)

B-Promoting and strengthening information systems and dissemination of information for the purpose of symmetrical flow of information among all the firms and enterprises and hence preventing monopolies and promoting competition.

C-Removing the government policies which could lead to rent seeking activities and providing suitable grounds for the removal of the underlying causes of price differentiations and segmentations in the market.

D-Rationalizing the entry in the market.

E-Removing of unwarranted duties.

F-Easing the conditions for the preparation of private and cooperative sectors in insurance and banking activities of the country.

G-Introducing the appropriate modifications in the article of association of state enterprises so that they could become competitive in the market.

In order to mitigate the adverse effects of anti-competitive practices and rent seeking activities in the economy with the ultimate goal of fostering competition and removal of monopolies the government of Islamic Republic of Iran has Launched a comprehensive and multifaceted plan. It has prepared an antitrust bill which is under investigation by relevant authorities of the country. In addition to this very important measures which awaits its approval certain other important measures have been adopted by the government in the framework of different five year development plans of the country and notably the Third Socio -Economic and Cultural Development Plan.In fact in the Latter plan which have been approved recently among other things a comprehensive and detailed strategy and guideline have been introduced to combat monopoly and foster competition.The strategy is of multifaceted dimation and covers a wide range of activities which are capable of giving rise to monopolies and anti-competitive practices.The salient features of this new endeavor could be summarized as follows:

### **1-Privatization**

The government of I.R.IRAN attaches great importance to privatization as the vehicle and the main factor behind any competitive policy. It views the existence of a strengthened private sector extremely vital for a successful competition policy, and in order to meet this requirement and to supplement its previous efforts , it has devoted a full and rather lengthy chapter of the latter plan to the privatization issue.

According to this legislation the main objective of the privatization process is to enhance efficiency and to raise productivity in utilization of the country=s material and human resources ,to streamline government in the area of policy making , and also in order to promote the role and scope of the private and cooperative sectors ,the shares and stocks of the state-owned enterprises that are transferable and whose continued operation in the public sector seems to be unnecessary ,shall be sold to the cooperative and private sectors on the basis of the regulations set forth by the law .

In order to implement the process effectively a high commission of divestiture has been set up at political level. This high commission functions under the chairmanship of the Minister of Economic Affairs and Finance and its main task is to co-ordinate, supervise and control

the process and to ensure the proper implementation of the law. The high commission is composed of certain high ranking official of the country and the concerned ministers. In addition to this High Commission the government is required to set up an organization for privatization at executive level. In order to encourage competition, shares of the companies which fall within the preview of the law, the following criteria would be observed:

A-Shares of small companies shall be sold to entrepreneurs of high managerial caliber.

B-Shares of medium-size companies shall be sold to specialized commercial groups, cooperatives and entities, accordingly.

C-Shares of the large corporation shall be sold to the general public, while the controlling shares are preserved for the management.

Besides aforementioned arrangement a dispute settlement mechanism has been envisaged by this legislation. According to Article 20 of the law, an Commission will deal with disputes. Article 21 of the law stipulates the composition of commission.

## **2-State-Owned Enterprises**

Streamlining the activities of state-owned enterprises and make those activities consistent and compatible with the requirements of a successful competition policy is an important element which should be fully taken into account in any effort to phase out monopolies. Without rationalization of the activities of those enterprises any competition policy would be deemed to failure .

The government of Islamic Republic of Iran cognizant of this very important factor and the role which it could play in ensuring effective competition has within the framework of Third Socio-Economic and Cultural Development Plan of country and elsewhere adopted certain rules and regulations for re-organization of the state-owned enterprises which could be in line with the requirements of a competition policy.

In this respect it has be noted that chapter two of the plan is devoted to this subject. The main objective of the chapter, is to curtail the role of government in profit-making activities of the economy to the benefit of private sector. According to this legislation the broad objectives of reorganization of the state-owned enterprises are to utilize effectively their

resources and potentials, to enhance productivity and efficiency of those enterprises that deem necessary to remain in the public sector, and to facilitate transferring to the non-public sector those enterprises whose continued operation in the public sector is deemed unnecessary, government is authorized to take appropriate measures toward divestiture, dissolving, merging and reorganizing the state-owned enterprises; reforming and approving their articles of association, and their transnational and financial by-laws, taking into consideration the current laws and regulations governing transfer of functions and manpower, assets and stocks of the state-owned enterprises and their subsidiary companies.

In order for any state-owned enterprise to remain in the public sector and to justify its utilization of public capital, it must be engaged in one of the two activity areas listed below:

A-Activities that are monopolies by their nature.

B-Activities in which the non-governmental sector has no incentive and interest to invest.

Furthermore, the state-owned enterprises approved by the Cabinet for divestiture through tender or the stock exchange market shall be managed thereafter according to the commercial law, and no longer will they be subject to the general regulations governing the state-owned enterprises.

### **3-Regulations of monopolies and promotion of competition in economic activities;**

Since phasing out of monopolies is of utmost importance for ensuring competition and removal of anti-competitive practices, the government has also been active in this field and the entire chapter four of the plan specifically addressed this very important issue. According to Article 35 government is required to abolish, within one year, all the monopolies established by executive directives and regulations or by granting concessions.

In assignment of contracts and undertaking of transaction by government and public sector, no discrimination shall be permitted amongst the state executive agencies, public enterprises, and the cooperative and private sectors. Within one year from ratification of the third five year plan, government is required to take legal actions relinquish monopolies and monopolistic practices. The most important areas are:

Post and Telecommunication Industry: Chapter sixteen devoted to phasing out monopolies in the field of postal and telecommunication services. According to this law, the non-public sector shall be permitted to engage in various parallel and independent services. In this respect, the public telecommunication companies are authorized to divest part of their activities in the area of maintenance of operation, design, engineering installation and commissioning, testing and delivery of equipment and networks to the cooperative and private sectors.

Tea Industry: In Article 29 government is authorized to take appropriate measures to enable real and legal entities in the cooperative and private sector to participate in the purchasing green tea, processing it into dry tea, packing and distribution activities in the tea industry.

Transportation Industry: According to Chapter 4 , government is also authorized to permit the real and legal entities of the local cooperative and private sectors to engage in transport of goods and passengers by railroad and the related activities including construction, development and maintenance of the railroad routes and facilities, undertaking studies and research manpower training.

Tobacco Industry: According to Article 31, Ministry of Industry is required to prepare and submit to the concerned authorities the appropriate draft bills and draft regulations pertaining to production, distribution, import and export of tobacco products. Monopoly of tobacco products will be annulled after ratification of the said bills and regulations.

Petroleum Industry: According to Article 33, the government would entrusted undertaking of activities pertaining to refining, distribution and transportation of petroleum products and by products to the domestic natural and legal persons.

Insurance Industry: Another feature of competitive measures is the discontinuation of monopolistic position of insurance services by Iran Insurance Company to state executive agencies subject to Article 30 of Iranian Central Insurance and Insurance Provision Law of 1971. According to new rules the executive agencies are henceforth authorized to enter into insurance contract with the domestic insurance companies of their choice.

Banking Industry: In order to enhance the competitive environment for banking activities and expand the financial market and promote domestic saving, the Central Bank of the Islamic Republic of Iran is required to create the ground for authorized operation of various

non-bank(non-governmental)credit institution; and to grant permission to the natural and legal entities of the non-public sector to establish bank.

In concluding my remarks, I would like to add that the recent trends in Iranian Economy demonstrates that the economy is moving rapidly towards the formation of a strong and dominant private sector and hence market economy and integration into the new multilateral trading system through the adoption and implementation of liberalization, privatization and deregulation programmes. But challenges are unavoidable and inevitable.

**Thank you**