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Syria: Will the Anti-Trust Law Make a Difference?

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On April 4, Syria issued its first Competition and Anti-Trust Law (Law No 7/2008), which some observers consider a significant marker on the road from a planned to a market economy. The anti-trust legislation follows on the heels of several new laws issued over the past months, including a new commercial law, an incorporation law, and an arbitration law, replacing old ones dating to 1949. All are designed to open the way for private investment, including foreign investment, and to bring Syria into line with international legal and business practices.

Kanaan al-Ahmar, the Syrian attorney who played a large role in drafting the anti-trust law (click **here** for the entire text in Arabic), told editor Jihad Yazigi of *The Syria Report* (Syria's top economic digest) that the Competition and Anti-Trust law has five main provisions:

- Market prices are to be set by free competition, with the exception of some specified cases. Al-Ahmar notes that until now the government set prices and issued occasional regulations to liberalize them; now it is the other way round.
- Cartels and other agreements, whether written or oral, which could disrupt free competition in the market are prohibited.
- No economic entity may abuse its dominant position in the market.
- Traders and manufacturers are prohibited from imposing minimum prices for the resale of their products/services, from selling below cost, or from disrupting supply to the market (in order to drive up prices).
- The law establishes a Competition Council that must give permission for any merger or acquisition that leads a company to hold a market share of over 30 percent for any product or service.

But no law is better than the authority that oversees and upholds it. Yazigi explains that "the text of the anti-trust law is as good and modern as any equivalent law in another country. Syria's business environment has been significantly improved by this and the other laws promulgated recently. However, implementation will be a problem; one should not expect too much in the short-term. Most members of the body in charge of overseeing its implementation are appointed by the government. In other words, it is a very good law that will require political reform before it works as efficiently as it is meant to."

The government will completely control the thirteen-member Competition Council that will monitor the law's implementation. Serving at the pleasure of the prime minister, the body will include eight financial and legal experts selected by various ministers and heads of government financial commissions, three businessmen selected by the Federations of Chambers of Commerce, and two unionists, one from the General Workers Union and another from the Peasants Union.

Among the key questions about the implementation of the new law is how, if at all, it will apply to industries currently dominated by the state. One Syrian businessman, a Wall Street executive who has numerous interests in Syria, said "It is not monopolies within the private sector that bother us businessmen; it is the state monopolies. The state owns some 250 different businesses of which only eight or so are profitable. They belong to the telecom and petroleum industries. The others are almost all dogs and produce tires, beer, biscuits, bottled water, cigarettes…the list goes on. Every businessman I know wants to get into these fields; there is good money to be made, but the state has to give up its monopolies first."

At the same time, despite their continuing frustration at the slow pace of change and continuing heavy hand of the state, many Syrian businessmen believe that the government is on the right track. "If Bashar has done one thing, he has changed some of the archaic and idiotic laws," one businessman said. President al-Assad also has opened up several strategic industries—banking, insurance, and advertising—to private capital. Investor response in these industries has been very good. Initial public offerings (IPO) of banks entering into the Syrian market have been oversubscribed. When Bank Audi entered the Syrian market in 2005, its IPO was oversubscribed by a massive 988 percent. Fransabank, the newest entrant into Syria just had its IPO in March, which was oversubscribed by 250 percent of the value of the offering.

The success of the financial sector has whetted the appetite of regional investors. And while it is not clear how well the new anti-trust and other laws will be implemented, they are already succeeding in creating the impression that Syria has become investment friendly. Still, business people are savvy about the risks in such an uncertain environment. A recent proposal for a $50 million venture in Syria began with the caution: "This proposal is being offered to sophisticated investors who could, in the worst case, afford to sustain the loss of their entire investment." Investing in Syria is not for the faint of heart.

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