

**Competition Policy Impact on Development of Emerging Economies**  
**(Georgian Case)**

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*Mr. President Torlak,*

*Distinguished guests and colleagues!*

I am delighted to offer my greetings and congratulations to the Competition Authority of Turkey on the occasion of the 20th anniversary. I would like to wish you success in your hard and responsible work. I expect that cooperation and friendship of our authorities, as it is between Georgia and Turkey, will give better possibilities to both countries in developing and achieving further economic and social success.

As an economist, I know the importance of establishing and maintaining fair competitive environment, especially in economies like Georgia.

Our country regained independence 25 years ago. The process of establishing civil regulatory institutions was started in parallel to recovering the statehood. Formation of antimonopoly regulation was among them.

For a small and open economy, like Georgia, it was vital to avoid establishment of the companies that would have too much influence on market and exclude the probability of abusing market power by them.

Rapid economic development is inevitable path for countries like Georgia. Once one of the richest Republics of the Soviet Union, Georgia faced terrible economic collapse, energy and transport blockade 25 years ago, lost economic relations and traditional markets resulted from civil and native wars. Georgia started reestablishment of the economy from the point when production was reduced by four times, inflation reached up to 17 000 % (seventeen thousand percent), and concealed unemployment was on the highest level.

That was the time when the formation of competition protection policy was originated. By no means 25 years is a short period to fully analyze the impact, especially in the country with such long history. Moreover, during this period, competition policy of the country has been radically changed

several times and, even totally forgotten by state once. However, it is clear that thesis “competition is a foundation for success” is reality.

Economists and law specialists indicate in their researches that distortion of competition restrict the process of economic development. It is a common knowledge that monopolies increase consumer loss and disrupt efficient functioning of economic system. These theories, led to the promotion of competition legislation in the United States and leading countries of Europe and Asia.

Factors, disrupting economic growth during collapse of competitive environment are: Monopoly prices (monopolistically high or predatory), highly concentrated markets, and entry or exit market barriers.

Obviously experts argue that markets can deal with competition issues naturally, without state intervention. According to their stand, antitrust policy is slowing down the economic growth instead of assisting it. This was reigning ideology of Georgia in 2004-2012; however, existing reality confirmed that besides a state, there are plenty of objective and subjective reasons that disrupt triggering of effective market mechanisms.

Antitrust legislation aims to eliminate the above mentioned factors by changing monopolized sectors into more competitive industries and establishing boundaries for monopolistic firms.

Despite the differences in strategies of the countries, the goal has to be the same – struggle against monopolies must not turn into fighting against economic efficiency. Finding the golden mean guarantees the effective result and economic growth. We should not forget that very often, state authorities infringe competition which is a very important challenge for the competition authorities.

All mentioned factors were considered in 2014 when, in the frame of DCFTA, Georgia adopted new competition legislation and independent competition authority was established.

Today, Competition Agency of Georgia aims to form competitive environment that is inevitable source for economic development.

Scope of our activities cover: anti-competitive agreements (cartels), abuse of dominant position, mergers, unfair competition and state aids. Despite of existing competition challenges in country, the young agency has done sufficient work in 3 years: investigations of over 20 commodity/service markets, 6 market monitoring's, 6 mergers and 2 state aid cases. Studies of regulatory legislation in different sectors to assess compliance with competition principles.

In order to improve the competitive environment, the agency issued over 70 recommendations to the state authorities and undertakings. Most of these recommendations focus on legislative amendments, quality control, safety improvements, and abolishment of extra barriers for the firms. The agency monitors implementation of issued recommendations.

It is clear that the decisions of Competition Agency will not necessarily cause the instantaneous results. There may be time gap between decisions and first tangible results, however, the fact that Georgia maintained the economic growth trend in turbulent environment, shows that we are on a right track.

Once again, I would like to congratulate you with the 20<sup>th</sup> anniversary of Competition Authority of Turkey. Thank you for your hospitality in the beautiful city of Istanbul. I hope that by means of close cooperation we can support the progress of our countries.

Thank you for your attention!