A Strategy for the Privatization of the Nouakchott Port

By Mohamed Mouknass

Project Advisors:
Prof. Geza Feketekuty
Prof. William Arrocha

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INTRODUCTION

Since its inauguration in 1984, the port of Nouakchott (Mauritania) has been run as a publicly owned monopoly. Unfortunately, the absence of competition has led the port to overstaffing. Moreover, labor regulation has caused high labor costs. The port has thus become costly and inefficient, and has lost market share to such West African ports as Dakar (Senegal) and Abidjan (Ivory Coast).

Issue:

The exorbitant cost of the Nouakchott port has crippled Mauritania's trade. Moreover, Mauritania faces a deep public budget deficit and can no longer subsidize the Nouakchott Port Authority. Mauritania's government sees privatization of the Nouakchott Port Authority as a solution to this issue. The World Bank and the International Monetary Fund have pressured the government to structurally adjust their economy by privatizing the Port Authority of Nouakchott, as well as other state-owned enterprises. Reasons for this mass privatization are to reduce the public budget deficit, to create wealth, to insulate port activities from the political process, and to introduce competition.The privatization will define a new role for the port authorities, increase foreign direct investment, and introduce labor reform.

Scenario:

For the purpose of this Master project, I assume the role of a member of the Economic Planning Board in charge of developing a privatization strategy for the Port Authority of Nouakchott (Mauritania). This Economic Planning board is presided by the Finance Minister.

Objective:

There are numerous aims for privatization. First, privatization would attract new foreign direct investments, which would increase productivity and competitiveness. The investments would bring the port service up to international levels of efficiency. Second, privatization would increase trade at the national and regional levels, and directly or indirectly create jobs. Finally, introducing market based labor reform would reduce port labor costs on the public budget.

Why is privatization of the port authority necessary?

There are many reasons for Mauritania's government to privatize the Nouakchott Port Authority. Since 1984, the Nouakchott port has posted a disappointing performance. To keep it operational, government bureaucrats have managed the port through public subsidies and preferential access to credit. In 1994, the port was given greater autonomy. However, such reform proved impossible to sustain; after initial improvement, the port deteriorated. It grew overstaffed and out of control. The challenge now is to bring sustainable improvements to port performance, and the Mauritanian government views private sector participation as the means to accomplish that. Another important reason for privatization is the government's deep budget deficits and public finance crisis. Mauritania's government no longer has the financial resources to offset the port's losses, much less provide capital increases for its development. Finally, Mauritania has committed to structural adjustment programs with the World Bank and the International Monetary Fund. They must reform to receive loans from these institutions to finance their economic and social plans.

STRUCTURE OF THE DOCUMENT

This paper begins with an overview of the project and its goal, followed by the Executive Summary. The background section introduces Mauritania, its economy, and its political systems. Following is the Commercial and Economic analysis which evaluates losses of the Nouakchott Port in this past decade and estimates surplus labor. Next, the Institutional and legal analysis describe domestic and international requirements of port privatization. The Political Analysis section describes the political environment and stakeholders. Finally, the recommendations section proposes reforms for the Mauritania Government to facilitate the privatization process.

EXECUTIVE SUMMARY

The purpose of this project is to develop a strategy for the privatization of the Nouakchott Port in Mauritania. The privatization is intended to enhance trade, increase foreign direct investment in port activities, reduce the public budget deficit, and introduce labor reform. This report first gives a brief background of Mauritania and its political environment. Next, it describes the ports and their functions, identifying options for privatization of the top 100 container ports in the world. Advantages and disadvantages of each option are addressed. Following is the commercial and economic analysis, which evaluates surplus labor before and after port privatization. The analysis provides a compensation plan for surplus dock workers. The institutional and legal analysis describes domestic and international requirements of the port. The political analysis describes the political environment and stakeholders.. Finally, the recommendations section proposes initiative reforms for Mauritania's government to facilitate the privatization process. In the annex of this paper, market-based port labor reform is recommended for any port privatization. The annex provides the needs of commercially oriented port labor reform, the objectives of this reform, and consequences at the political, economic and social levels.

BACKGROUND PAPER

1-General context:

Mauritania is located at the western extremity of the Saharan desert. The population was estimated at 2.6 million people in 1999, with a growth rate of 2.6 percent per year (IMF Report, 1998). During the 1960 Independence movement, Mauritania was essentially a nomadic society; just 5 percent of the population lived in urban conglomerations near the Atlantic Ocean. Due to heavy rural-urban migration, particularly over the last two decades, over half of the population now lives in urban centers such as Nouakchott, the political capital, and Nouadhibou, the economic capital (World Bank Report, 1999). The ethnicity of the population is 50 percent Moors and 50 percent black Africans. Social indicators, like nutritional levels, food security, income, and access to water, are poor. Fifty percent of Mauritania's people live below the poverty line of one dollar a day (World Food Organization Report, 1999)

Political environment:

Government type: Republic

A new constitution was approved in mid-1991, after which political parties were legalized and voters registered. Presidential elections were held in early 1992 and Colonel Ould Taya was elected. He was re-elected for an additional six-year term in December 1997 with 90 percent of the vote.

Executive Branch:

Chief of State: President Maaouya Ould Taya (since December 12, 1984)
Head of the government: Prime Minister Cheikh El Afia (since January 2, 1996)
Cabinet: Council of Ministers, appointed at the pleasure of the Prime Minister.

Legislative Branch:

Bicameral legislature consists of the Senate, 56 members elected by the municipal leaders to serve six years, and the National Assembly, 79 members elected by popular vote to serve five years. The Senate assembly consists of 55 members from the political party of the government and 1 member of the opposition. The National Assembly includes 71 members from the political party of the government and 8 from the opposition.

<u>Economic Development</u>:

Mauritania's economy has become substantially liberalized since the early 1980s. The economic structure encompasses a relatively small modern sector and traditional subsistence sectors such as agriculture and breeding. Mauritania has a very narrow economic base. Its industrial sector is dominated by mining and fishery activities, which together provide all export earnings (IMF Report, 1998). The rural sector employs an estimated 64 percent of the labor force. Despite considerable changes since independence in 1960, Mauritania's economy remains vulnerable to external shocks such as climatic changes or fluctuation in the world price of its principal exports (IMF Report, 1998).

<u>Economic indicators:</u>

GDP per capita in Mauritania is about $390. The average GDP per capita in Sub-Saharan Africa is about $500. In 1989, export earnings were approximately $438 million; by 1999 export income declined to about $333 million. The annual iron income had decreased by 30% and the annual fishery earnings had decreased by 50% (World Bank sources). In 1989, foreign direct investment was about $4 million, and in 1999 the FDI was about $0 (World Bank Data, 2000). In neighboring countries, the FDI was about $169 million in Senegal and about $16 million in Mali.

In conclusion, the data analysis proves that Mauritania's economy needs structural changes to improve productivity and competitiveness and attract new investment in the global market. Structural reform could be accomplished through privatization of the state owned enterprises, including the port authority.

2-<u>Important Facts:</u>

Nationalization:

During the 1960s, many newly independent African countries, including Mauritania, applied socialist models to large nationalization programs. The new states took control of their productive assets from foreign companies, and based their development on state owned enterprises. In the 1960s Mauritania's government nationalized both the iron mining company from France and the national fishing company. The nationalization was linked to the rise of the nationalism.

Over the past thirty years, state owned enterprises have survived through tariff protection against competing imports, preferences in public-procurement, exclusive rights, preferential access to credits, government guarantees, tax exemptions and public subsidies. According to the World Bank, these practices led the governments to deep budget deficits and public finance crises. Many African states no longer have the financial resources to offset the losses of state owned enterprises, or to provide the capital necessary for development. Moreover, state owned enterprises have become overstaffed, inefficient and less competitive (Guislain, 1997, p.48).

Globalization of the economy:

In a world where open economies and globalization are the rule, state owned enterprises in general and public port authorities in particular continue to be operated with outdated models. Development has proceeded more in accordance with sociopolitical criteria than commercial ones.

Accelerated technological innovation and growing integration of markets have forced private enterprises to form foreign alliances in technology, investment, and trade. State owned enterprises are ill-placed to forge such alliances (Guislain, 1997, p.8). The growing globalization of the economy and the end of the Cold War have pushed many states towards privatization and other economic reforms.

Nouakchott Port Authority:

The Nouakchott Port was inaugurated in 1984. The Republic of China built the Port of Nouakchott at no cost to the government of Mauritania. China financed many infrastructure projects in Mauritania in the name of helping the newly socialist independent African country. As a result, Mauritania does not recognize Taiwan and supports China's policy in the United Nations.

The port of Nouakchott consists of two quays, one for small vessels (Whart Quay) with draft of less than 5 m and the second for larger vessels with a max draft of 10.5 m. The second quay is known as the `Port of Friendship Quay' stretching 585 m and split into four berths, three for cargo handling and one for serving vessels.

	Length	Draft
Berth No 1	148.5 m	9 m
Berth No 2	169.5 m	9.5 m
Berth No 3	190 m	10.0–10.3 m

Draft at Harbor Mouth	11 m from channel to port
No of deepwater Quays	1
Length of Quay	585 m
Terminal Area cbm	2 yards approx 1000 cbm
Craneage	3 cranes with 10 tons capacity
Rail/Road Connections Available	Rail: none Road: Potholed

Source: Port Focus.

3-The role of port privatization management around the world:

Defining private sector participation in port activities requires attentive analysis. In this section, I will describe the functioning of ports, their roles and responsibilities, various models of port privatization, the benefits and objectives of each model, and the advantages and disadvantages of privatization. Moreover, I will analyze private sector participation of the top 100 ports in the world and determine which type would be best for the port of Nouakchott. Finally, I will describe lessons learned from port privatization in Latin America.

A- The elements of port activities:

There are three essential elements of port activities: port operations, port land, and port regulations (Baird, 1995, p.1). Port operations are concerned with the physical transfer of goods and passengers between sea and land. Port operations may also include warehousing, storage, and packaging. Manufacturing or product assembly activities within the port estate are considered port operations.

Port land responsibility includes the management and development of port estate. It also includes conceiving and implementing port policies and development strategies. Port land authority supervises major civil engineering works, provides and maintains berths, piers, and road access to the port complex (Baird, 1995, p.2). According to the *Journal of Maritime Policy & Management*, besides municipal authorities, ports are often the largest landowners within a city. For example, Antwerp port authority controls some 125 km of berth length and occupies a land area of 14,000 hectares. The Los Angeles port has 45 km of waterfront covering an area of 3,000 hectares.

The third essential element of port activities is regulation, which includes maintaining the conservancy function and insuring navigable approaches to the port. Port regulation also includes providing pilotage services, vessels traffic management, and ensuring the safe passage of vessels within the defined area of jurisdiction of port. The port regulation power enforces laws relating to health and safety and controls pollution levels within the port estate. Finally, the port regulator monitors the performance of the port, coordinates policy making with local and national government bodies, plans future expansion, and promotes the entire port and its facilities to users (Baird, 1995, p.3).

B-<u>Options for port privatization:</u>

An analysis of the top 100 ports in the world reveals four models of ports. The first model is the public port with no private sector involvement. All three elements; operations, regulations, and land, are the responsibilities of the state. Public ports are still found in Singapore, India and all African states.

The second model, which I call model II, is the port that transfers port operations to the private sector. In this model, port land remains in public ownership and regulatory activities are also the responsibilities of the public sector. According to Mr. Cass, a specialist of port privatization, there are many examples of this type of arrangement in North America and European ports, with terminals leased to the private sector.

The third type of port, which I call model III, is the port where two elements, operations and property rights, are controlled by the private sector. The public sector via port authority still controls regulations matters such as navigable approaches (Baird, 1995, p.7). This type of privatization usually corresponds to single user ports such as oil ports or mineral ports, but is not appropriate to multi-user ports.

The last model of port, which I call model IV, is a port where all three elements, operations, land, and regulatory, are the responsibility of the private sector. In this model the government has no involvement in port activities other than control of sub-standard vessels, pollution or accidents. In this port model the market determines opportunities for new private sector investments. Only the United Kingdom has a fully privatized port.

Models of Port Privatization:

Port Models	Operations	Land	Regulations
Model I	Public	Public	Public
Model II	Private	Public	Public
Model III	Private	Private	Public
Model IV	Private	Private	Private

Eighty-eight of the top 100 container ports fit Model II, where port operations are carried out by the private sector, with the public sector retaining property rights over port land and regulatory functions. Model II is by far the most common arrangement for private sector participation in port activities.

According to a study titled *Process, Players and Progress*, only seven of the top 100 container ports appear to conform to Model I, where the three elements of the port are under the government control. These include several ports in South Africa, Singapore and Israel. South Africa plans to transfer responsibility for cargo-handling operations to the private sector.

Private sector participation in the top 100 ports:

	Public	Model II	Model III	Model IV
Number of Ports	7	88	2	3

According to the same study, only two of the top 100 container ports conform to Model III: Tilbury and Felixstowe in Great Britain. These ports are owned and operated by the private sector, with public sector control over regulatory functions. Finally, only three of the top 100 container ports conform to model IV. These ports also are located in Great Britain. In each of these three ports the private sector controls operations, land, and regulations. In conclusion, the United Kingdom is the only country with real port privatization. However, other countries offer private sector participation in port operations, which are the most important aspects of port activities for port users.

COMMERCIAL AND ECONOMIC ANALYSIS

There is no doubt that privatizing port operations will increase port efficiency and improve competitiveness. Privatizing port operations will reduce port labor demand on the public budget and raise government revenues.

For many years, Mauritania's government paid scant attention to deficits in Nouakchott Port in the belief that they would be corrected by bigger budgetary allocations or by higher port charges. These port deficits were seen simply as internal costs for the country with no major implications on foreign trade.

The trade flow for Mauritania was US $747 million in 1998, and in 1999 declined to US $662 million. As we see, the import/export value decreased by more than 11%, which has negative consequences on port services, since the demand for port services depends on the volume of goods handled. Port costs factor into the final product price. If port costs are excessive, the competitiveness of the merchandise is affected. If sales decrease, demand for port services decline.

In this section, I will try to estimate the surplus of dock workers in the Port Authority in Nouakchott before privatization. I will also estimate the excess of labor after privatization. Finally, I will estimate the amount of compensation for laid-off of dock workers. My sources used include the World Bank in Washington, D.C., and the International Maritime Organization in London. I will also apply knowledge from the Quantitative Tools Analysis of the Commercial Diplomacy Class.

I-Excess Labor before privatization:

A-ASSUMPTIONS:

- All goods trade pass through the port.
- No services trade pass through the port.

- Loading and unloading ships requires the same effort per ton of product.
- Labor requirements per ton for different products are similar.
- Mauritania's port uses production technology from when it was built (1984).
- Initially there was no excess labor at the Nouakchott Port.
- The port has 150 dock workers.

B-Percentage Change in Trade Volume between 1989 and 1999:

	1989	**1999**
Export in M $	**438**	**333**
Import in M $	**382**	**329**
Export Price	**97**	**79**
Import Price	**103**	**91**

1-Trade Volume in 1989:

Export Volume in 1989: Export/ Export Price= 438/97= 4.52

Import Volume in 1989: Import/ Import Volume= 382/103=3.71

Trade Volume in 1989: Export Volume + Import Volume= 4.52 + 3.71 = 8.22

2- Trade Volume in 1999:

Export Volume in 1999: Export/ Export Price= 333/79= 4.22

Import Volume in 1999: Import/ Import Price: 329/91= 3.62

Trade Volume in 1999: Export Volume + Import Volume= 4.22 + 3.62 = 7.84

The percentage change in trade volume between 1989 and 1999 is calculated thus:
(Trade Volume 1999 – Trade Volume 1989)/ Trade Volume 1989= -4.8%

Conclusion:

The volume of trade in Nouakchott between 1989 and 1999 decreased by almost 5%. We can thus estimate the excess labor in the port of Nouakchott at 5%. The number of Dock workers is 150, so 7 to 8 people are redundant.

Before estimating the surplus dock workers at Nouakchott Port Authority after privatization, I would like to estimate the percentage change of trade volume in Dakar Port Authority, Senegal, between 1989 and 1999. Dakar Port Authority is considered a direct competitor in West Africa to Nouakchott Port Authority.

Percentage change in trade volume in Dakar Port Authority:

	1989	**1999**
Export in M $	**759**	**985**
Import in M $	**1134**	**1493**
Export Price	**104**	**118**
Import Price	**83**	**102**

Export Volume in 1989= Export/ Export Price = 7.3

Import Volume in 1989= Import/ Import Price = 13.7

Export Volume in 1999 = Export/ Export Price = 8.35

Import Volume in 1999 = Export/ Export Price = 14.35

Trade Volume in 1989 = Export Volume + Import Volume = 21

Trade Volume in 1999 = Export Volume + Import Volume = 23

Percentage change in trade volume between 1989 and 1999 in Dakar Port:
(Trade Volume 1999 – Trade Volume 1989)/ Trade Volume 1989 = 10%

The volume of trade in Dakar between 1989 and 1999 increased by 10%.
Conclusion: Between 1989 and 1999, the trade volume through the Nouakchott Port Authority decreased by 5%, while the trade volume through Dakar Port Authority increased by 10%. Mali, which is a land-locked country, imports trough Nouakchott Port and Dakar Port. However, the Port of Nouakchott has become inefficient and highly costly. It is much cheaper for Mali to import through Dakar Port than Nouakchott Port.

II- Surplus Labor after Privatization:

A- Global Cargo Handling Productivity:

Year	Man-Hours Worked in Million	Cargo ton Handled Million	Productivity (Ton/Man-hour)
1960	29.1	28.5	.98
1980	18.5	113.7	6.23
1987	17.1	157.8	11.69
1993	17	198.8	11.97
1996	17.9	220.2	12.30

If the new private port operator uses the technology of 1996, productivity per worker will be 12.30 tons/ man-hour. However, the actual productivity is 6.25 tons/man-hour because the port uses the technology of the 1980s. Actual productivity is approximately one-half with the outdated technology.

Conclusion:

We can conclude that after privatization, port operations will use half as many workers as before privatization. The actual number of dock workers is 150. We already know that seven to eight dock workers are redundant. So the number of dock workers needed will be: (150-8)/2= 71 . Therefore 79 dock workers (150-71) are likely to be laid off.

III-Compensation Plan:

In this section, I will estimate the amount of money needed to compensate the laid off dock workers. For objective criteria, I hoped to analyze compensation for dock workers elsewhere in Africa. However, no single port in Africa has been privatized. Since many ports in Latin America have been privatized, I used their compensations for objective criteria on compensation in Mauritania. I selected three Latin American Countries: Chile, Colombia and Venezuela.

Country	Year	Amount/ worker
Chile	**1981**	**US $14,300**
Colombia	**1982**	**US $6,250**
Venezuela	**1991**	**US $14, 800**

I convert all these dollar figures to year 2001 dollar figures:

Chile: US $14,300 X 1.71 = US $24,500 in the year 2001.

Colombia: US $6250 X 1.613 = US $ 10,100 in the year 2001.

Venezuela: US $ 14,800 X 1.19 = US $ 17,650 in the year 2001.

To relate these figures to Mauritania, I will use the Purchasing Power Parity (PPP) factor.

Mauritania: PPP X GDP/per Capita= $832

Chile: $ 24,500/ GDP per capita = $ 24,500/ 4,890 = 5

Colombia: $ 10,100/ GDP per Capita = $ 10,100/ 3380 = 3

Venezuela: $ 17,650/ GDP per capita = $ 17,650/ 7082 = 2.5

Conclusion:
The range of compensation for Mauritania is: 2.5 X 837 to 5 X 837, or
$2,100 to $4,200 per dock worker. The range for all surplus workers is: $165,900 to $331,800.

Comments:

The range for the compensation for a Mauritanian dock worker is between $2,100 and $4,200. These amounts are 5.25 to 10.5 times greater than the GDP per capita. If we consider purchasing power parity factor, these amounts are a lot of money. On the other hand, as a state employee, a dock worker is provided housing, electricity, water, health assurance, and even alimentation coupons for necessity products from the government. After being laid off, the worker will lose all these social benefits.

How could the Nouakchott Port Authority increase its activities?

We know that:
First, the demand for port services is derived from the volume of goods handled. Port services are integrated into manufacturing and distribution systems, so port costs are added to the final product price, which affects the competitiveness of the final product.

Second, 50% of Mauritania's export is fishery products to Europe and Japan. They compete with the same products from Senegal and Morocco at the same prices. We can presume that excessive cost of port facilities for any of these countries could mean the loss of both the European and Japanese markets. Let's assume the privatization of Nouakchott port operations help cut the cost of handling fish exports (with a negative impact on fish exports from Senegal and Morocco to Europe and Japan). Japanese or European fish brokers in Tokyo, Madrid or London will probably ask fish producers in Mauritania to provide them with greater volume once they realize that their fish can be obtained relatively cheaply. The fish brokers will continue to buy Mauritanian fish until volumes are insufficient to satisfy Japanese and European demand. The growth in the demand for Mauritania's fish will increase demands for workers, fish packing services, land and ocean transport services, and cargo handling services at port. The entire Mauritanian economy will benefit.

INSTITUTIONAL ANALYSIS

I- World Bank/ IMF:

The World Bank and the International Monetary Fund have pressured Mauritania's government to privatize their state owned enterprises as part of their overall structural adjustment reforms. This mass privatization is intended to reduce the public budget deficit and to create a market based economy. According to World Bank analysis, Mauritania's state owned enterprises account for one half of all outstanding domestic debt and for a substantial portion of foreign borrowing (World Bank Report, 1999). Moreover, the lack of competition and monopoly positions have led to high labor cost and institutionalized corruption among managers of state owned enterprises and government officials.

To compete in the global market, Mauritania must increase private sector participation in the economy. Deregulating will allow the private sector to compete with state owned enterprises. The goal of the World Bank policy for Mauritania is for the government to reallocate public resources from subsidies for SOEs to investment in infrastructures and social programs.

The World Bank and the International Monetary Fund see privatizing state enterprises as essential for introducing a market economy. Privatization will increase the size and the dynamism of the emerging private sector. It will distribute ownership of SOEs more widely and it will promote both foreign and domestic investment. By promoting private investment in SOEs, privatization reduces inflation. By attracting foreign capital investment in privatized firms, it reduces external debt. The international institutions see privatization of SOEs as a means to reduce public expenditure, pay off foreign debt, and increase government revenues.

II- The Word Trade Organization:

Mauritania, as a member of the World Trade Organization since January 1995, is committed to the National Treatment Principle and the Most-Favored Nation Principle. The National Treatment Principle applies automatically on the goods side. On the services side, National Treatment applies only to sectors where countries made commitments. Mauritania's government offered National Treatment on services only in the tourism sector, which is unrelated to the port privatization. Therefore, the liberalization of port services is not a concern of the GATS.

With regards to Transparency, the General Agreement on Trade and Services says that governments must publish all laws and regulations. Foreign companies and governments can use these inquiry points to obtain information about regulations in any service sector. The World Trade Organization wants to create an open system of operations not ruled by corruption.

The World Trade Organization encourages members to enhance labor and environmental standards to increase safety for workers and reduce trade impacts on the environment.

III-World Maritime Organization:

Mauritania, as a member of the International Maritime Organization, must comply with the international maritime rules and standards that ensure safe and effective shipping services. It also must protect the coast from environmental degradation from ships and related activity. To improve the safety and efficiency of maritime transport, the International Maritime Organization recommends the use of modern equipment. This will help ports be more efficient and reduce operational cost. The Port of Abidjan (Ivory Coast) and the Port of Dakar (Senegal) have invested in cargo handling equipment which permits loading and dispatching operations on both sides of vessels. Moreover, the IMO suggests the use of basic standard equipment such as computers and the internet which young trained people can operate. Finally, ports exchange large amounts of information with other members of the distribution chain. The IMO encourages ports to use the Electronic Data Interchange system (EDI) to better integrate port operations, manufacture, transport and warehousing. The rules of EDI are set by the United Nations Rules for Electronic Data Interchange for Administration, Commerce and Transport. A UN/ EDIFACT study proves that the use of EDI in ports could improve resource savings and customer services (IMO Report, 1999).

LEGAL ANALYSIS

Mauritania's public law port regulation states that as a government entity, the Nouakchott Port Authority should be owned and operated by the government. However, private law states that before a government starts a privatization program, legal provisions that discriminate private sector participation in state-owned enterprises should be amended or abolished. Then, the government should initiate a competition policy that allows the private sector to compete with the public sector on an equal footing. This competition policy should include removal of subsidies, public loan guarantees and harmonization of tax systems applied to the state owned enterprises and private enterprises (Guislain, 1997). Apropos of investment, rules must protect foreign investors, recognize foreign participation in private ownership, determine to what extent foreigners can participate in the privatization of SOEs, and guarantee repatriation of profits and capital. Regarding the World Trade Organization obligations, Mauritania's schedule states that the government is committed on trade and services only in the tourism sector, which is not related to the liberalization of port operations. Concerning labor, law reform is needed to determine the extent to which private investors can set employee salaries and benefits, hire and lay off workers. Generally, labor for state owned enterprise personnel do not favor privatization because public sector employees enjoy special civil service benefits. The public labor regime is established more in accordance with sociopolitical than commercial criteria (Guislain, 1997, p.74).

Concerning legislature, ordinance no. 97 of April 1996 states that the decision to transfer ownership assets from the public sector to the private sector of any state owned enterprise should be made in the council of ministers. Moreover, the ministers should discuss and pass the bill in the parliament, which is composed by two chambers, the Senate and the House of Representatives. To pass the bill, the law requires more than 50% of the votes in the two chambers. Then the bill becomes a law.

POLITICAL ANALYSIS

Privatization is a political process that can disrupt various interest groups. Ports are sources of employment and thus are vulnerable to political pressure. Governments are sociopolitical institutions, and it is difficult, if not impossible, to resist pressures from port labor for protectionist measures and subsidies. Such pressure is usually justified in terms of (a) the preservation of national sovereignty or independence; (b) the desire to retain national control over certain activities; (c) the sense that state ownership is needed to safeguard the public interest; and (d) the fear that wealth might become concentrated in the hands of a few private parties. Commercial targets are put to one side and treated less rigorously (Guislain, 1997, p.21).

In Mauritania, labor and government use collective bargaining more as a means of redistributing the nation's wealth (role taxes) and satisfying political aspirations, than as a means of increasing national wealth or protecting workers from unhealthy working conditions. This has led to over-staffing, low productivity, high costs and corrupt practices. If Nouakchott Port is privatized, the short-term constraints will dominate. The potential social impact of privatization is often calculated in terms of lost jobs. But excess labor is a problem in itself, caused by poor public management. It is a problem that would need a remedy even in the absence of privatization. According to Pierre Guislain, social factors usually taken into consideration focus more on the short term losses resulting from necessary restructuring than on long term job creation generated by a more flexible and dynamic port.

In practice:

To succeed a port privatization program, the real political questions are: How is the power structured in Mauritania? Who are the power brokers and to whom do they respond? What must be done to accomplish these changes? To get answers, we should know the stakeholders involved in this issue.

Stakeholders that have an interest in the issue:

The executive power:

The executive power is the council of ministers, headed by the prime minister. The government has control over its members in the Parliament; on the other hand, the government maintains its power by responding to other political forces. The goal of the government is to enhance trade, reduce the public budget deficit, and respond to demands of the World Bank and International Monetary Fund. Moreover, the Finance minister's objective is to fix the economic problem of Mauritania, to attract new investments, and to reduce the demand of labor on the public budget.

World Bank / International Monetary Fund:

These institutions pressured Mauritania's Government to privatize the Nouakchott Port Authority and other state owned enterprises as a part of the overall structural adjustment reforms. The privatization of Nouakchott Port Authority is a required for Mauritania to receive loans.

The Parliament:

Legally, the Senate and the National Assembly should approve the privatization of the Nouakchott Port Authority or any state owned enterprise. The government controls 55 seats of the 56 seat Senate, and 71 seats on 79 seat National Assembly. We can assume that the bill would pass the two chambers smoothly.

The trade unions: Union Mauritanienne des Travailleurs.

Unions oppose Nouakchott Port privatization because privatization is often calculated in terms of layoffs or lost jobs. Short term losses garner more consideration than long term job creation. The government should negotiate with unions to reach an agreement.

The Business Community: Importers/ Exporters

The business community favors port privatization, because private sector participation in port operations increases port efficiency and introduces competition. The importers/exporters want access by land and sea to a port that operates quickly and expeditiously, enabling them to reduce export, import and transport costs.

Shipping Companies:

The shipping companies are the first ones concerned with Nouakchott Port Privatization. Often, companies that operate port facilities are subsidiaries of shipping companies. If shipping companies run their own facilities, investment becomes more efficient.

POLICY RECOMMENDATION

In this section, I will design for Mauritania's government a strategy to follow:

-Phase one: Selecting the best model for port privatization
-Phase two: How to structure port privatization
-Phase three: How to deal with workers to facilitate the political ramifications.

To reach these objectives, it will be better for Mauritania's government to initiate reform, such as labor reform, under the state umbrella and to put port facilities in reasonable economic situations before the government auctioned off.

Applying Models of port privatization:

The choice of which model the Mauritanian government should adopt for Nouakchott's Port depends on the objectives of port privatization and the special requirements of Nouakchott Port.

The objectives set up by the Mauritanian government are (1) to increase private sector investment in the port, while reducing pressure on the public sector budget from port expenditure, (2) to improve port efficiency to aid the flow of trade, (3) to raise revenues for government, and (4) to reduce state expenditures on port labor.

Applying Model IV to Nouakchott's Port, which will bring port operations, port land and port regulations under the control of the private sector, is highly risky. This *laissez faire* approach has many disadvantages. First, economically it transfers a public-sector monopoly to private interests. Second, politically it submits national sovereignty to private sector interests or to the private interests of another country. Third, socially, it causes job losses by eliminating surplus labor, thus increasing the unemployment rate.

Applying Model III to Nouakchott's Port, which brings port operation and port land under the control of the private sector, is not a good strategic choice for the government and the private sector. The Model III approach is necessary when the private investor wants to build a new port, which is not the objective of port privatization in Mauritania. Such an approach is very expensive, and has a long term payback because the private sector must build a new port without financial government support.

Model II is more in line with the initial objectives of Mauritania's government. Adopting Model II will allow the state to withdraw from port operations, and reduce pressure on the public sector budget from port expenditures. Moreover, the new private operator will upgrade the port facilities to increase efficiency, which will aid the flow of trade. Finally, using the Model II approach, the state will continue to enjoy sovereignty on its port land and port regulations. Therefore, I recommend for the government to select the Model II.

The analysis of the top 100 container ports revealed that nearly 90% have adopted the Model II. This model has many benefits:

1- **Private sector investment**:

With Model II, Mauritania's government could lease port facilities, while receiving regular payments from the private sector. The government would hold the property rights and control regulations of the Nouakchott port.

2- **Private sector management skills and expertise**:

Globalization has increased standardization in the shipping and transport industry. International shipping lines are in position to compare port performance on a worldwide basis, which means that a port must provide a high and consistent standard of service to remain competitive. Nouakchott's Port does not have the sophistication needed by port users, particularly in terms of information technology and management capability. By putting port operations in the hand of terminal operating companies, subsidiaries of shipping lines will increase the efficiency of Nouakchott's port. These multinational terminal operating companies have experts who know how to meet the increasing demands of port users.

3- **Reducing labor expenditure**:

Port operation is where the real employment is concentrated. By removing the state from the port operation sector, it reduces the cost of port labor on the government budget, because the workforce transfers to the new operator. For example, Buenos Aires Port Authority reduced its workforce from several thousand employees to just few hundred after a series of terminal concessions were granted and the workforce was transferred to the new operator. But any labor change from the public sector to the private sector needs a labor reform, which is a prerequisite for the effective privatization of port operation.

Structure of the Nouakchott Port Privatization:

Before privatizing, the port authority should separate the Nouakchott Port Authority into three distinct categories: port operations, port land, and port regulations. The terminal should then be divided into three entities because there are three berths and three cranes. The government could lease the berths to different potential operators to foster competition between the three berths of the port.

To upgrade the port facilities the port authorities have two options. First, Mauritania's government could negotiate a loan with international financial institutions such as the World Bank and the African Development Bank to invest in new port facilities. This loan could be repaid by the lease of berths to shipping companies. The second option is having the port authority negotiate a leasing contract with potential operators. The contact will allow private companies to invest in new facilities; this investment becomes a loan by the private companies to the government. However, the loan will be repaid by the lease of port facilities from the government to the private companies for a fixed period of time. The lease of berths serves as securities for the private operator, for the loan to the government. The government should take the second option. If shipping companies run their own facilities the investment becomes more efficient and saves on labor.

How to deal with port workers:

Investing in new port equipment allows efficiency and saves labor. The real question is how to handle surplus workers. If the government puts the entire burden of eliminating excess labor on private entities, it is too politically risky for the private investors. Privatization becomes less attractive for the private operators. The port authority under the umbrella of the government should initiate labor reform. The government and the potential operators should sit down with trade unions and explain that the actual port situation is no longer feasible. It is dragging down both the port and the economy of the entire country. We must work together to reduce to essential labor. Workers who are close to retirement could take early retirement, those whose are not can receive training to find jobs elsewhere in the government or with private corporations.

OVERALL STRATEGY:

To privatize the Nouakchott Port Authority, the economic planning board will launch strategies aimed at the Executive power, the Unions, the Parliament and the President.

I-Executive Strategy:

The Economic Planning Board will launch a strategy aimed the executive council. As mentioned in the political section, the Prime Minister has control over the council of ministers. One way to influence the Prime Minister is to build support within the council of ministers.

Composition of the Council of Ministers:

The Prime Minister, Minister of Foreign Affairs and Cooperation, Minister of Finance, Minister of Investment, Minister of Justice and Islamic Issues, Minister of Education, Minister of Transportation, Minister of Trade, Minister of Labor and Minister of Defense.

Coalition Building:

To gain support for Nouakchott Port Privatization, the Economic Planning Board will build support with other ministers, such as the Finance Minister, the Minister of Investment, the Defense Minister, the Minister of Justice, and the Minister of Labor. This support is necessary to convince the Prime Minister of the need for Nouakchott Port privatization.

Council of Minister Strategy:

The main goal of this strategy is to convince the ministries of Finance, Investment, Transportation and other ministries that have interests in the issue, in order to put pressure on the Prime Minister for the need to privatize the Nouakchott Port.

Public Relation Strategy:

This strategy is needed for the success of the Council of Ministers' strategy. It will convince the Finance Minister, the Transportation Minister and the Budget Minister of the need for privatizing the Nouakchott Port Authority. The key players in this strategy are the epistemic community, the representative of the World Bank in Mauritania, and the business community, particularly the shipping lines.

II- President Strategy:

Support from the President of the Republic is needed for the privatization of Nouakchott Port. Without his support, privatization will be rejected by members of the Parliament.

Coalition Building:

- Business Leaders
- Commercial Attaches of French and Spanish Embassies
- European Shipping Companies

III- Labor Strategy:

Labor unions are key players in port privatization. The Economic Planning Board has a social plan for the success of negotiations with trade unions. Without an agreement with the unions, privatization will not proceed smoothly.

IV- The Parliament Strategy:

This strategy will be carried out by the Prime Minister and the Finance Minister in the parliament.

Coalition Building:

The support of both the National Assembly and the Senate is needed to pass the bill of the Nouakchott Port privatization. The Prime Minister will try to convince his majority to vote for the reform. Also, the Economic Planning Council and various interest groups will lobby policymakers to support the government action.

CHART:

PEOPLE	INTERESTS	OPTIONS	BATNA	O.CRITERIA
Government	Reduce public budget deficit, increase foreign direct investment, get loan from IMF, introduce competition, reduce demand of labor on public budget	Model I, Model II, Model III, Model IV.	Executive Power	Models of port privatization in Latin America and in Asia.
Parliament	Apply the law, conserve their site.	Negotiating with the executive power and unions, voting yes/no	Legislative power	Public and private laws
Unions	Keep their jobs and their privileges, remain public servants	Status Quo, Privatization	Political Force	Negotiation
Business Community	Promote trade, profit, port efficiency	Supporting privatization, Status Quo	Economic power	Negotiation
Shipping Companies	Efficient port, run their own	Leasing, concession	Potential investor,	Privatization in Latin America

	facilities		financial power	and Asia
World Bank/ IMF	Structural adjustment reform, sustainable development, promoting private sector	Privatization, Status Quo	Financial Power	Privatization in Asia and Latin America

Strategy Cards:

	YES	NON	UNDECIDED
Executive	X		
Parliament			X
Unions		X	
Business Community	X		
World Bank/IMF	X		

<u>EXECUTIVE STRATEGY</u>

The main goal of this strategy is to pressure the Prime Minister of Mauritania to privatize the Nouakchott Port Authority. Without the support of the Prime Minister privatization cannot be launched.

Coalition Building:
The Economic Planning Board and the Finance Minister will build a coalition with other ministers of the council. The members of this coalition will be:

-The Budget Minister
-The Transportation Minister
-The Commerce Minister

-The Minister of the Investment

Strategy and Process:
To get the Prime Minister to agree to privatize the Nouakchott Port Authority, the Economic Planning Board should build consensus with other ministers.

-The Budget Minister:
The Economic Planning Board will meet with the Budget Minister to raise the issue of the expense of labor on the public budget. The Budget Minister's goal is to fix the deficit in the public budget. To convince the Budget Minister to join the coalition, the Economic Planning Board will state that not only will port privatization transfer port labor expenses from the public to private sector, but the lease of the port facilities will add funds to the public budget.

-The Transportation Minister:
To convince the Transportation Minister, the Economic Planning Board will argue that port privatization will increase the efficiency and the competitiveness of the port. If shipping companies run their own facilities, their investment is more efficient and productive. Moreover, the lease of port facilities to shipping lines will increase the maritime transport. Mauritania, as a member of the International Maritime Organization, will improve by transferring its port operations to the private sector and concentrating on port regulations.

-The Commerce Minister:
The following argument is made to convince the Minister of Commerce. Mauritania's exported products compete with the same products from other African countries. The cost of port service is part of the total cost of the final product. If shipping companies run their facilities, port operations will be more efficient and productive. Therefore, the cost of the handled products will decrease, which will affect positively the price of the final product. Products that go through the port will be more competitive in the international market, and demand for Mauritania products will increase. Consequently, trade will increase.

-Minister of Investment:

The Minister of Investment will support privatization of the Nouakchott Port Authority, because the main goal of the ministry is to attract private investment, particularly foreign direct investment. As mentioned, in 1999 foreign direct investment in Mauritania was $0. However, in 1999 foreign direct investment in Senegal was $169 million.

-Minister of Defense:

This ministry is a key player in Nouakchott Port privatization. Port privatization involves national security issues, and Nouakchott Port is the only container port in Mauritania. To convince the Defense Minister, the Economic Planning Board will explain that the government faces a deep public deficit and port privatization will bring funds to the country. This will allow the government to increase the military budget. Furthermore, the Nouakchott Port privatization concerns only port operations. Port regulations, which include the security, will not be privatized.

-Minister of Foreign affairs and the Cooperation:

In Mauritania, two ministries, the Foreign Affairs Ministry and the Finance Ministry, deal with international financial institutions, such as the World Bank and the International Monetary Fund. To get the support of the Foreign Affairs minister, I will remind him of Mauritania's obligations with the World Bank/ IMF to receive funds for the government's economic plan. Among these obligations is the privatization of the Nouakchott Port Authority.

-The Minister of Justice and Islamic Issues:

In Mauritania, every year the Ministry of Justice and Islamic Issues sends several hundred people on a pilgrimage to Saudi Arabia. I will send the Minister of Justice a letter stating that, for budget crisis reasons, the Finance Ministry cannot send people on pilgrimages anymore. After that I will see him. The goal of this meeting is to get his support for the privatization, which will bring funds to the government budget. With this fund, the Finance Ministry could send people on pilgrimages again.

Opposition:

Inside the executive power, the opposition will come from the Minister of Labor, because he must deal with the trade unions. For unions, privatization means layoffs and loss of social benefits. The port workers enjoy benefits of public servants. To convince the Minister of Labor, the Economic Planning Board will suggest a social plan for the excess port labor. Those close to retirement could enter earlier retirement without losing social benefits. Those not close to retirement could train for jobs in other government enterprises or in the private sector.

Public Relation Strategy:

The key players in this strategy are the epistemic community. They will concentrate on advising the ministries. The members of this community are economic, financial, legal and technical experts on port privatization. They will publish articles and reports on the need for Nouakchott Port Privatization.

Moreover, the Economic Planning Board will meet with private interest groups such as the shipping companies and ask them to schedule meetings with the ministries concerned. During these meetings the need for port privatization will be raised. Lobbying will also include phone calls and mailings.

Important facts needed to convince the Prime Minister:

- Mauritania has obligations to the World Bank and the International Monetary Fund
- Mauritania faces a deep public budget deficit and can no longer subsidize the Port Authority
- Mauritania needs funds to finance its economic plan
- Privatization will reduce the cost of labor on the public budget
- Leasing port facilities to potential operators will bring funds to the public budget
- Privatization will attract foreign investment, introduce competition, and increase efficiency
- Privatization will insulate port activities from the political process

- An efficient port increases trade at the national and regional level, and directly or indirectly creates jobs

II- PRESIDENT STRATEGY

The President of the Republic listens to his Prime Minister, the Defense Minister and the leaders of the business community. In the previous section, we discussed how to convince the Prime Minister and the Defense Minister. Soliciting support from leaders of the business community is also very important.

III- LABOR STRATEGY

Issue: The trade unions oppose port privatization because privatization is often calculated in terms of lost jobs. To facilitate the privatization process, the government will negotiate an agreement with the labor unions. The objective of this negotiation is to cooperate to reduce redundant labor.

Preferred Outcome: To free the Nouakchott Port from social and noncommercial obligations.

Objective Criteria: Labor law and Private law.

Stakeholders: The Finance Ministry, the Labor Ministry, the shipping companies and the trade unions.

Important facts:

- The port is inefficient
- The trade volume through the port has decreased since 1989
- The port has excess dock workers
- The situation drags the port down and harms the economy of the entire country
- The current situation is not profitable for any of the parties involved in port activities

Talking points:

- 50% of the dock workers are redundant
- A compensation plan for the laying off dock workers
- A retirement plan for those who want early retirement
- A training program for those who want to shift to another sector

Proposal Agreement:

- An attractive voluntary resignation bonus formula
- New owners should extend the same benefits to employees up to retirement age that they enjoyed before privatization.
- Port status will be transformed from an autonomous public-law establishment to a limited liability company. This will transfer the status of dock workers from civil service to labor code regime.

IV- PARLIAMENT STRATEGY:

Preferred Outcome: Passing the privatization bill of the Nouakchott Port Authority.

Background: The parliament is composed of the National Assembly and the Senate. The National Assembly is composed of 79 members, 71 from the government coalition. The Senate is composed of 56 members, 55 from the government coalition.

BATNA: The president already agrees to port privatization. The Finance Ministry has the support of the Ministry Council and the business community. An agreement has already been signed with labor unions concerning the port privatization.

Lobbying Campaign: The Ministry of Finance will organize meetings with members of the parliament to get their support. The business and academic communities will give testimonies in both chambers, supporting the action of the government.

Negotiating Tactics

As stated in the legal analysis section, to pass a bill in the parliament requires greater than 50% vote in the two chambers. To convince the government majority in parliament, the Prime Minister should state that the government already has an agreement with unions on port privatization, and that the entire minister council and business community should support the bill. Finally, the president has given his support for the issue.

LABOR REFORM

Background:
In public ports with no private sector participation, state subsidies have made port workers immune from market mechanisms. Moreover, the government has established a labor regime that supports port workers' desire for jobs and income security. The same regime gives them monopolies over port services. As a result, port workers have no commercial incentive, and are inefficient.

After introducing market based port labor reform, port workers are exposed to the market mechanism. Their jobs and incomes are tied to corporation's needs. Ports, today, are a part of distribution systems that contribute to the competitiveness of goods on the world market. For this reason, corporations purchase finished or unfinished goods and services wherever total costs, including port costs, are lowest. Only by responding to the needs of these customers can port workers guarantee their jobs and incomes. The goal of this commercially oriented port labor reform is to make workers accept modern technologies and institutional arrangements that enable productivity to increase and costs to decrease. This inevitably will generate job insecurity.

A-**The needs of Commercially Oriented Port Labor Reform**:

1- **Modern Technology**:
Investments in new technology are necessary to make ports efficient and attractive to shipping companies, efficient. For many years, governments in developing countries have supported labor in the name of job security and sought to hold back technological innovation.

According to the Pacific Maritime Association, loading and dispatching, containerization, computers, and telecommunication have revolutionized port operations. These technological advances have intensified competition between ports by eliminating monopoly situations. Customers have increased commercial pressure on ports to improve productivity and bring down labor costs.

For example, in the 1950s the handling of dry-bulk cargoes required 20 men for each vessel's cargo holds. Twenty years later these cargoes were handled at specialized terminals and much larger cargo could be dispatched using three men for the entire vessel (Pacific Maritime Association).

Impact of containerization on port-worker productivity:

Year	Man-Hours Worked (Million)	Cargo tons Handled (Million)	Productivity (tons/man-hour)
1960	29.1	28.5	0.98
1980	18.5	113.7	6.15
1987	17.1	157.8	9.23
1993	15.7	183.6	11.69
1994	17.0	198.8	11.69
1995	17.9	220.2	12.30
1996	18.0	215.5	11.97

(Source: Pacific Maritime Association.)

These technological innovations have satisfied each group of the port community. Unions seek to maintain high levels of employment and benefits, carriers seek to reduce vessel time in port, port managers seek to achieve a reasonable return on investments, and port customer groups seek to reduce charges and eliminate unnecessary delays (Pacific Maritime Association).

2-**Corporatization Reform**:

Corporatization is needed to convert public enterprise organized under public law into companies organized under private law (Guislain, 1997, p.101). The University of Brussels privatization expert Pierre Guislain has done a fascinating study entitled "A Strategic, Legal and Institutional Analysis of International Experience'' explaining that corporatization law will not become effective until after the amendment of the public enterprise status, which is typically done within a time limit specified by the law.

The objectives of corporatization are to improve economic performance and enhance port accountability. Further objectives are: to free the port of social and non-commercial obligations, to effect a clear separation between ownership and management of the port, and to empower the manager to run the port as commercial entity.

As written in the *Privatization Challenge*, corporatization or transformation into a commercial company should not be seen as simply a legal step. It usually requires a broad range of company restructuring measures, such as deregulation and financial restructuring.

3- **Deregulation:**

The objective of deregulation is to attract investors into port operation activities. For this reason Mauritania's government should eliminate rules, regulations, subsidies and sociopolitical obligations that obstruct participation of the private sector in port activities. The removal of such obstacles will give private port operators more freedom to respond to the market mechanism (supply/demand) of the global economy. If deregulation is not accompanied by antimonopoly laws, private terminal operators will attempt to obtain monopoly control over the port operations.

4- **Antimonopoly Commission**:

The role of the antimonopoly commission is to protect customers from monopoly practices by private terminal operators, exporters/importers associations, and unions. Moreover, the antimonopoly commission will enhance competition and will enforce property rights over port zone activity. This commission will prevent the public sector monopoly from being handed over to private interests because ports have natural monopolies. Moreover, the antimonopoly commission will investigate claims of abuses by dominant firms. Finally, this commission will adopt antimonopoly laws that are applied to terminal operators and dock labor alike, to ensure market mechanisms are used to compete, and not to create cartels.

5-**Financial Restructuring Measures**:

According to Pierre Guislain, an expert in privatization, financial restructuring measures require abolishing discriminatory practices. Discriminatory practices include such financial privileges as subsidies, tax and customs exemptions, and state guarantees on borrowing. Financial restructuring also includes abolishing such social services as health, education, and housing for employee families. Financial measures will clean up the balance sheet by removing the excess debt, evaluating assets and liabilities, and arranging new agreements with financial institutions, especially creditors banks. Powerful people are needed to execute this restructuring process, which is required for market based port labor reform. Generally, the body that supervises the operations recruits new managers committed to the restructuring measure process because former managers do not have the skills required to manage the process, or they do not support the restructuring and private sector participation in port activities (Guislain, 1997, p.97).

A- The objectives of Market Based Port Labor Reform:

The first aim of market-based reform is to preserve competition by avoiding monopoly control of port services, whether by private terminal operators or labor unions. Without private sector participation in port services, unions will have little incentive to accept market-based reform. Without market oriented reform, no commercial basis for private sector participation can be established.

The second aim of market-based reform is to expose dock workers to the market mechanism of the global economy. Dock worker wages and benefits will become tied to the interests of port customers and private terminal operators. Dock workers will adapt to new technology through retraining programs, which will cut costs and improve productivity. Another objective of labor reform is to enhance the collaboration between unions and the private sector on operational problems. With globalization, the commercial goals of the private sector and social goals of dock workers have become interdependent. Dock workers are the employees of private terminal operators, and work with them to solve productivity and cost problems. Terminal operators seek to motivate dock workers by offering market wages and benefits. This will enhance the competitiveness of exports on the international markets (ECLAC, 1999, p.49).

C- **Market based reform commission:**

The government should set up a commission to develop a market-based labor regime. This commission should be composed by officials from the Ministries of Finance, Trade, Transport and Labor, and private terminal operators, unions, port administrations, and exporters/importers. The mandate of this commission is to include market-based labor reform. To achieve port labor reform based on consensus, the commission must listen not only to unions but also to customers and private terminal operators. The commission should organize seminars and use the media to convince the union that market-based reform is inevitable, compensations will be paid, and the country will benefit. Moreover, the committee should encourage that joint committees between unions and private terminal operators resolve operational problems and disputes without government intervention. Finally, the commission should give the government a regulatory and promotional role in the port. In conclusion, the market labor reform commission should also set up training programs, placement services for laid off dock workers, and early retirement plans. Placement services should be linked to a worker's successful completion of training programs leading to jobs either in the port sector or other industries.

D- **Examples of results of port labor reforms**:

Chile: Compensation paid to workers laid off in Chilean ports as result of the deregulation of the dock labor in 1981 amounted to a total of US $30 million. Payments per worker averaged US $14,300. By 1982 increased productivity had generated savings of US $40 million. These economies benefited port operators as well as exporters, importers and carriers. In 1995, the economies achieved in public-sector ports in Chile increased to US $140 million (source: World Bank).

New-Zealand: The government of New Zealand paid US $28 million to compensate workers made redundant. By the end of 1990 the direct savings to port customers amounted to US $56 million. For every job lost in New-Zealand's docks, the Government estimated that 10 were generated in other sectors by eliminating cost and productivity bottlenecks caused by the ports (source: World Bank).

E- **Consequences of Market-Based Labor Reform:**

1- **Political**:

The government will not participate directly in relations between port labor and private terminal operators. The collective negotiation will be bipartite (employers-unions) rather than tripartite (unions-government-employers), due the new relationship between employers and workers that arises from market-based labor reform. The government will abstain from interfering in port labor relations, except in its capacity as regulators, owners and investment promoters. The regulatory function of the government is confined to establishing and protecting competition, and to intervening to help resolve regulatory disputes. Finally, the government will no longer yield to the demands of port unions. Port administration will not participate in port activities as operators and employers. In this context, collaboration and trust between port unions and private terminal operators will be fostered, which will help improve workers wages, benefits and job security while helping private terminal operators achieve commercial goals.

2- **Economic**:

The adoption of market-oriented port labor reform will expose dock-workers to the competition of the global economy, where the demand for labor services is derived from the volume of goods handled. The new labor regime will transform ports from sites where workers' wages and benefits are given priority by governments, to sites where port labor suits customers' needs by providing services that are innovative, productive and efficient. The government will no longer absorb low labor productivity and provide market distorting subsidies.

In the past, the government reserved the domestic market for national entrepreneurs and guaranteed jobs and benefits for dock workers without acquiring new technology, cutting costs or improving productivity. These policies raised the price of imported products in the national market. Adopting a market oriented labor regime will motivate workers to respond to customers' needs. Private terminal operators will not have to pay dock-workers for their political value of their services, but will pay market determined wages, no more and no less (ECLAC, 1999, p.49).

3- **Social**:

Collective bargaining will shift from tripartite (unions-government-employers) to bipartite (unions-employers). This new situation will change the behaviors of the employers and workers. Private terminal operators will see port labor as a commercial tool to enhance profits and increase competitiveness, while unions will see job security and purchasing power linked to the commercial goals of employers. To achieve these commercial goals, workers and employers must collaborate.

Port workers have valuable experience that can help improve productivity and lower costs. Employers can provide training to dock workers, which will increase their capacity to respond to the market mechanism, generating greater value-added for port employers and customers. In conclusion, in an open and competitive environment, workers and employers must collaborate not only to increase productivity and cut costs, but also to increase income and benefits. Moreover, employers understand that commercial success is closely linked to the social goals of workers (loyalty and welfare). Finally, dock-workers will understand in a competitive atmosphere that the security of their benefits and jobs depends on commercial success.

Appendix A

Op-Ed Piece for Mauritania's Newspaper

There are three main aims of Nouakchott Port privatization. First is attracting foreign direct investment to increase productivity and competitiveness. Products that pass through the port must compete in the global market and port services must reflect international levels of efficiency. Second, privatization aims to increase port efficiency, to increase trade at the national and regional levels, and directly or indirectly to create jobs. Lastly, privatization aims to expose port workers and other members of the port community to the market mechanism of the global economy where competition is the rule.

Since its inauguration in 1984, the Port of Nouakchott has been run as a publicly owned monopoly. Unfortunately, the lack of investment in new technology caused the port to become costly and inefficient. Moreover, the monopoly decreased competitiveness of the port in West Africa. The Nouakchott Port has lost market share to the Port of Dakar (Senegal) and the Port of Abidjan (Ivory Cost).

The lack of investment in port facilities is costly to trade in Mauritania. We know that Nouakchott Port uses the technology from 1980, with a productivity of 6.23 tons per man-hour. However, today the average port technology has a productivity of 12.30 tons per man-hour. The inefficiency of the productivity at the Nouakchott Port is 910.05 tons per man-hour. In the global market, where competition is the rule, ports that are inefficient due to obsolete facilities stall economic development.

Liberalizing port activities will bring private sector investment. This investment will upgrade the existing facilities, which will increase the efficiency of the port. Moreover, international shipping companies will bring management skills and expertise to the Port of Nouakchott. Often subsidiaries of shipping companies have experts who know how to meet the increasing demands on port users.

Once again, port activities play an important role in the development of the economy of any coastal country, especially a country like Mauritania that has adopted an export oriented economy. If a port is efficient and reliable, the overall economy of that country is positively affected. An active port increases trade at the national and regional level.

Appendix B
Testimony before Mauritania's Parliament

Mr. President, Ladies and Gentlemen: My name is Mohamed Mouknass. I am a member of the Economic Planning board at the Ministry of Finance. Our task force is to set up a strategy to privatize the Port of Nouakchott.

It is a pleasure to be with you today, and I would like to thank you very much for the invitation. I have always believed it is important for the Economic Planning Board to exchange views and to share information with the Parliament to support the privatization of the Nouakchott Port.

Before I begin my testimony I would like to introduce two important people from the Economic Planning Board at the Ministry of Finance who come to testify with me today. Mr. Sidi Heiba is the chairman of the Mauritani's Dock Workers Union, and Mr. Jean Francois is the Representative of the shipping company DELMAS.

Mr. President, members of the Parliament,

Port activities play an important role in the development of any coastal country's economy, especially an export-oriented economy like Mauritania's. If a port is efficient and reliable, the overall economy of that country is positively affected. An efficient port increases trade at the national and regional levels, and directly or indirectly creates jobs. Since its inauguration in 1984, the Port of Nouakchott has been run as a publicly owned monopoly. Unfortunately, the absence of competition led the port to become inefficient and overstaffed. It has lost share market to other West African ports like Dakar and Abidjan. Moreover, the lack of investment in new port technologies have raised costs and affected port productivity.

Ports are being steadily transformed by the evolution of the global market. Products that pass through ports must now compete in the global economy. Moreover, services must reflect international levels of productivity and cost. Many transnational corporations scour the world for least-cost inputs, and ports are an integral part of manufacturing and distribution systems. One of the port's main functions is to act as an interface between ocean and inland transports and to provide complementary services to such loading and dispatch operations as storage, processing and distribution.

To integrate Nouakchott Port to the global market, Mauritania's government must propose a privatization plan. The aim of this reform is to attract new investments for the modernization of the port infrastructure and improve the port's productivity and competitiveness.

For example, the export of fish from Mauritania, Morocco and Senegal to the European market creates competition between African fishing companies. If the cost of any of the ports or facilities is excessive, or if port productivity is low, that port loses its European market. Let's assume the decision by the government of Mauritania to restructure Nouakchott Port through private-sector participation helps cut cost handling of fish exports. European brokers in London or Madrid will probably ask fish producers in Mauritania to provide greater volumes once they realize that fish can be obtained relatively cheaply from Mauritania. The European fish brokers will continue to buy fish from Mauritania until volumes are insufficient to satisfy the European market demand. Growth in the demand for Mauritania's fish will increase demand for workers, fish packing services, land and ocean transport services, cargo-handling services at port, and the entire economy.

The government has negotiated an agreement with the labor unions. The objective of this negotiation is to reduce redundant labor and to free the Nouakchott Port from social and noncommercial obligations. The government has proposed for redundant workers an attractive voluntary resignation bonus formula, an early retirement plan, and a training program for those who want to shift to another sector.

In conclusion, I want to thank you for the opportunity to testify on behalf of the Economic Planning Board in support of the passage of the Nouakchott Port Privatization Bill.

Thank you.

Appendix C

Letter to Shipping Companies

Francois Delmas, Chairman
DELMAS Shipping Company
125 Avenue de La Grande Armee
75017 Paris
France

April 30, 2001

Dear Company Chairman,

The Ministry of Finance of Mauritania invites you to participate in the privatization of the Port Authority of Nouakchott.

DELMAS Shipping Company has a strong presence on the West African coast. By participating in port operations, your company will control the entire distribution system, from port terminals to warehouses to customers. Customers want access by land and sea to a port that works quickly and expeditiously, enabling them to reduce export, import and transport costs. Bringing your experience in maritime transport to Mauritania will lower the port of Nouakchott's cost and will hasten the loading and handling of products.

Opening the Nouakchott Port operations to foreign shipping companies will benefit your businesses in Mauritania as port operations transfer from a public owned monopoly to the private sector. Introducing private sector participation in port operations will increase the competition and efficiency of the Port of Nouakchott. Furthermore, a landlocked country, Mali, is closer to Nouakchott Port than the Port of Abidjan or the Port of Dakar. Shipping through the Nouakchott Port to Bamako will be quicker and cheaper than shipping to other ports in West Africa.

For further information on the Nouakchott Port privatization, please contact Mr. Mohamed Mouknass at the Economic Planning Board in the Ministry of Finance. Mr. Mohamed will be able to provide further information on the privatization of Nouakchott Port. You can reach Mr. Mohamed at (831) 333 90 22 or by email at Mohamed.Mouknass@miis.edu. We look forward to hearing from you.

Sincerely yours.

Appendix D

Letter to Labor Unions

Nouakchott, April 30, 2001

Mr. Sidi Mohamed Ould M'beirik
President de L'Union des Travailleurs de Mauritanie.
Nouakchott-Mauritania

Dear Mr. Sidi Mohamed,

Thank you for the opportunity to meet yesterday and discuss the privatization of the Port of Nouakchott. It is useful to recapitulate the talking points and outcome of the meeting.

The talking points of the meeting were the redundant dock workers at the port, a compensation plan for voluntary resignations, an early retirement plan, and a training program for workers who would like to shift to another sector.

The outcome of this meeting was to set up a voluntary bonus formula. Future owners should extend the same benefits to employees up to retirement age, and dock workers' status will transfer from civil servants to private servants.

We look forward to work with you.

Sincerely yours.

Appendix E
White Paper on Nouakchott Port Privatization in Mauritania

There is no doubt that liberalizing the Nouakchott Port activities will increase private sector investment and enhance competition. By privatizing port operations, the government will reduce the costs of port labor on the public budget, and will raise government revenues. Mauritania's government will kill two birds with one stone.

Port activities play an important role in the economy of any coastal country, especially an export-oriented country like Mauritania. If a port is efficient and reliable, the overall economy of that country is positively affected. An efficient port increases trade at the national and regional levels, and directly or indirectly creates jobs. Effective ports in Singapore and Hong Kong are perfect examples.

With the integration of the global economy, a port has a dual function. The first function is to interface between ocean and inland transports, or the international market and the domestic market. The second function is to be part of the cost-efficient inter-modal distribution system. This means ports are integrated in the distribution chain from factories to final markets. Products that pass through a port must compete in the global market. Thus, port services must reflect international levels of costs and productivity. Today, transnational companies scour the world for least-cost inputs for their final products; port costs are an important component in the final product price. If the port costs are excessive due to inefficiencies or inappropriate technologies, the international competitiveness of the merchandise will suffer. Sales will be limited. The demand for port services will decline, and export-led growth policies will be less effective.

Port infrastructures are critical to the economic development of Mauritania. Since its inauguration, the authority, due to a lack of capital, has not maintained Nouakchott Port's infrastructure. It has decreased the attractiveness of the port to customers, eroding the local economy. Privatizing port operations will cause new investors to upgrade the existing facilities, which will increase productivity and competitiveness. Ports that use modern systems will always have the lowest port costs and the shortest times for loading.

Today, international shipping companies compare port performance on a worldwide basis. At the regional level, the Nouakchott port competes with Dakar and Abidjan ports, so it must provide relatively good service to remain competitive. Let's assume that privatization of port operations cuts the cost of handling fish exports to Europe. Spanish or Italian fish brokers in Madrid or Milan will likely ask fish producers in Mauritania to provide greater volumes, once they realize that fish can be obtained relatively cheaply from there. European fish brokers will continue to buy Mauritania's fish until the volume is insufficient to satisfy European demand. Growth in the demand for Mauritania's fish will increase demand for workers, fish packing services, land and ocean transport services, cargo handling services, and for all the economy. To realize this situation, foreign direct investment through privatization of port facilities is needed.

The privatization of port operations will remove the state from the element of the port where real employment is concentrated. Consequently, the drag of labor expenditure on the government budget will be eliminated. The work force will transfer to the new port terminal operator. The government could reallocate public resources from labor expenditure to investment in education and social development projects. Furthermore, the introduction of private sector participation in port activities will expose labor to market mechanisms of the global economy, where competition is the rule. By responding to the needs of customers, workers could secure jobs and keep their social benefits.

Customers want access by land and sea to a port that functions quickly and expeditiously, enabling them to purchase finished or unfinished goods and services where total costs, including port costs, are lowest. The new terminal operator will collaborate with dock-workers to gain customer satisfaction. With globalization, the commercial goal of employers and the social goal of dock workers have become interdependent and can only be achieved through a collaborative effort.

Annex 1

INTERNATIONAL TRADE AND SUB-SAHARAN AFRICA

Between 1960 and 1999, international trade (exports plus imports) grew from 25 percent of world GDP to 42 percent, with 90% carried by maritime transport. According to the World Bank Institute statistics, Sub-Saharan African countries' share in global trade was less than 1% in 1997. A number of factors explain the weak position of Sub-Saharan African countries in the global economy. First, the economies depend on primary products whose prices have on the whole decreased dramatically in relative terms; export purchasing power declined by 40% between 1980 and 1990, while export purchasing power of developed countries rose by some 70% in the same period. Second, the Sub-Saharan region has received little foreign direct investment, due to several impediments:

- Insecure property rights, a critical element of a market-friendly institutional environment
- Severe restrictions on the ownership of business by the foreigners, and excessive regulation
- Weak infrastructure, especially port infrastructure due to the lack of modern technology.
- An unhealthy macroeconomy, with high tariffs on the import of inputs. This makes exports less competitive in the world market.

Finally, protecting port authorities from private sector participation has contributed to higher transport costs. Many African products can not compete in international markets as a direct result of port costs. Moreover, African governments attached great importance to the public ownership of national ports at the expense of commercial principles.

Annex II

CUSTOMS PERSONNEL REFORM:

Customs personnel reform is aimed at: ending corrupt practices, more effectively collecting taxes, and more effectively responding to globalization. International liberalization has generated booming trade volumes. The World Trade Organization estimates that world trade grew by 8% since 1995—four times the growth of world GDP. In fact, during the 1990s trade has grown far faster than the world output, which indicates that national economies are closer than ever. This globalization promotes customs personnel reform, particularly in African countries.

Customs personnel reform will occur through training programs at the World Customs Organization in Brussels, Belgium. Training will cover many areas. The first is on indirect tax regimes such as the VAT, to find other ways of maintaining revenue yield. Customs personnel will learn to combat drug trafficking, commercial fraud activities, and transnational crimes. Finally, customs personnel will learn such new technologies as artificial intelligence, bar coding, document imaging, and electronic communication between. Accurate and timely information will yield workers significant benefits.

Introducing computer literacy in customs administration will be highly beneficial. Day-to-day operations are far more efficient with computer based systems. Connecting customs administration to the global network will reduce service costs, increase quality and diminish time of processing. Management audits will quantify the movement of goods and travelers to aid resource allocation and to measure results.

In conclusion, the government should hire new customs personnel; raise the salary of port customs officers, and send personnel from the finance ministry to fiscally control the customs administration. If customs personnel reform is implemented, government revenues will increase, the business community will be satisfied, and the entire economy will benefit.

Annex III

How Singapore became the world's most efficient port

Singapore Network Services (SNS) manages and operates Tradenet, a networked information system that allows traders to declare imports and exports for customs directly from their office computers. Tradenet evolved from a five-person National Computer Board research project, begun in December 1986 with the aim of boosting Singapore's competitiveness in world markets. Fifty companies participated in a pilot launched in January 1988. The participants included traders, customs agents, and the Trade Development Board, which handles much of the documentation and licensing done in other countries by customs agencies.

With tradenet, a trader's declaration is transmitted electronically to the Trade Development Board, which issues the necessary approvals in 15 minutes, after routing details to various government departments. Depending on the type of good, as many as twenty agencies may be involved. On receiving approval, the trader prints and signs the document to obtain release of the cargo. Tradenet user software developed by SNS is offered through several approved Singaporean software houses. Software developed by others may be used instead, but requires certification to ensure quality and compatibility.

Thanks to tradenet, traders no longer must leave their offices to obtain customs approvals. Because special trips to rectify errors or resolve disputes now hardly ever occur, traders have been able to trim labor costs. With storage for goods awaiting clearance no longer necessary, goods can now go straight from ship to the consignee—a particularly important consideration in Singapore, where space is at a premium.

Meanwhile a new port, container, and real-time vessel management system operated by the Port of Singapore Authority has further expedited the flow of goods. The result has been ship turnarounds of less than 10 hours, and huge improvements in port and harbor facilities. Electronic pre-clearance has helped make Singapore's port the most efficient in the world. The Singapore government values these efficiencies at over 1 percent of GDP.

Annex IV

Growing faster with knowledge

Three indicators related to knowledge correlated significantly with growth rates: education, openness to trade, and the availability of communication infrastructure (as measured by telephone density and the ratio of telephone main lines to population). These three partial proxies for knowledge do not completely gauge access to knowledge or the ability to use it, but they do provide a rough approximation. They show that a country can add substantially to its growth rate by increasing the education of its people, its openness to international trade, and its supply of telecommunication infrastructure. The impact on growth can perhaps be as large as four percentage points for a country that moves from significantly below average to significantly above the average on all the indicators.

These findings can plausibly explain each of the three factors:

- Openness to trade offers the opportunity to tap foreign knowledge embodied in traded goods and services. Trade also allows people to learn about business practices in other societies. These knowledge-related benefits of trade supplement the traditional, well-established gains from international trade.
- The education of a population relates to people's capacity to use knowledge.
- Telephone density relates to people's ability to access full information when needed.

Source: World Bank Report 1998/99

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