

Conclusion

Countries in the Middle East and Northern Africa (MENA) region have a unique opportunity to bridge the gap in competitiveness and trade integration with more advanced regions through the development of a low-cost, broadband Internet infrastructure. Following the example of mobile communications, the MENA countries have the opportunity to create a vibrant competitive framework in which multiple broadband operators can serve the booming demand of a young, technology-savvy population. Broadband development can dramatically increase the production and use of digital content in MENA while bringing global knowledge to the region. Broadband enables the integration of firms and professional networks in MENA, enhancing job creation opportunities by bringing global jobs to local markets.

To reap these benefits, MENA countries should fully open up their broadband markets to competition. The gap between MENA and regions with higher broadband diffusion is mainly a gap in market structure, competition, and governance. The creation and strengthening of open markets for broadband infrastructure, networks, services, and digital content is a top priority. Countries that followed this path, for example, in Eastern Europe and Asia, were able to quickly leapfrog more advanced countries, bypassing obsolete legacy infrastructure. A commitment to open markets means enforcing a deep regulatory reform, introducing measures to strengthen competition, eliminating monopolies, licensing more operators, tackling dominant positions, and lowering explicit and regulatory barriers to entry. This kind of reform almost always involves addressing local resistance to change, often coming from those economic and political agents that are profiting from existing rents. This is a tall order indeed.

However, certain specific conditions in MENA can facilitate the implementation of this complex reform. First, the presence of energy and transport utilities with extensive but presently underutilized fiber-optic networks can be leveraged to strengthen domestic and international connectivity in a competitive environment. Second, there is the emergence of an urbanized, young population that will exert tremendous pressures on demand for broadband on the one hand and on demand for housing on the other. Better coordination of civil works and

innovative modes of infrastructure supply can be introduced in MENA to meet this growing demand in rapidly changing urban areas. Third, the ample availability of capital in the region led the telecommunications sector to be the driving force of foreign direct investment in most countries in the past decade. If the appropriate regulatory framework at the national and regional levels is introduced, regional capital can appropriately fund a quick expansion of broadband networks in the region, laying the foundations for broadband- and mobile-led innovation and growth. It is, indeed, crucial that these favorable conditions are strategically exploited by policy makers in the region to strengthen broadband connectivity in a competitive and transparent sector context and that they are not used to exacerbate existing dominant positions in the market.

The struggle between fostering open and competitive markets and the resistance from existing rent-seekers will be a delicate process. We hope that this study can make a small contribution to stimulate the debate and provide the arguments and examples to create a more open and competitive broadband infrastructure. Presently, MENA lags behind in terms of connectivity prices, mobile and fixed broadband penetration, and, crucially, local content. The stakes are high, and they are elevated by the existing sociopolitical pressures for reform. If the right conditions are set, countries in MENA have an opportunity to leapfrog existing infrastructure and create the foundations for a digital economy.