

## MEMORANDUM TO THE PRIME MINISTER OF INDIA

### WANT REFORMS TO TAKE OFF? ADOPT NATIONAL COMPETITION POLICY FOR INDIA

#### Introduction

Healthy and effective competition helps the economy in many ways: a) checks concentration of economic power thus promoting economic democracy, a building block for political democracy; b) checks anticompetitive practices in the market thus ensuring dynamic and static efficiency as well as check inflation; c) promotes innovation thus leads to better and cheaper goods and services; efficient utilisation of resources; and conservation of environment; d) promotes good governance through checking collusion among the sellers and buyers and their peers; and e) promotes consumer and producer welfare thus economic welfare.

India is grappling with a unique ‘trust deficit’ between the government and its citizens. The perceived lack of clarity and predictability in government policies has stalled key projects, and the growth rate has plummeted significantly, and the future seems bleak. While large scale overhaul of regulatory process is essential but time-consuming, a platform for launching long-term large scale reforms is need of the hour.

This memorandum argues that adoption of National Competition Policy in India *inter alia* could provide such impetus for reforms. Justifying that the principles of competition and regulatory review are essential for growth process, the memo points to the sectors suffering due to lack of competition reforms in India. It draws on the international experience to showcase benefits of competition policy reforms and builds a case for establishment of National Competition Policy Council and urges for a greater stakeholder support for ensuring adoption of National Competition Policy.

#### Current Scenario

Indian economy is going through tough times. For the first quarter (April-June) of 2013-14, the growth rate of the economy was 4.4% over the corresponding quarter for the previous year. The index of mining, manufacturing and electricity, registered growth rates of (-) 4.5%, (-) 1.2% and 3.5%, respectively, during first quarter of 2013-14, as compared to the growth rates of (-) 1.6%, (-) 0.8% and 6.4% in these sectors during the corresponding period in 2012-13. While the confidence building measures implemented by government have resulted in economy showing signs of recovery, a long path needs to be traversed for the country to achieve its growth potential.

In recent past, many infrastructure projects have been delayed due to lack of regulatory approvals; the courts have struck down some of the government decisions; and reforms undertaken by government (such as opening up of retail sector) have not resulted in expected benefits, due to uncertainty and cumbersome policies.

The stubborn rise in rate of inflation has also been a matter of concern. The inflation rate stood at 6.46% for the month of September, 2013 (over September, 2012) as compared to 6.10% for the previous month. Build up inflation rate in the financial year so far was 5.64%

compared to a build up rate of 4.84% in the corresponding period of the previous year. While the Reserve Bank of India has undertaken significant monetary policy measures to rein in inflation, lack of adequate competition policy reforms might have prevented controlling inflation in medium term.

In brief, following can be listed as few substantial issues that Indian economy is facing and which require urgent resolution:

<b>What is the situation?</b>	<b>What ought to be?</b>
Low growth rate, led by low/ negative growth in key infrastructure sectors	Sustainable growth rate of key infrastructure sectors leading to increase in overall growth rate
High and unsustainable inflation	Low and stable inflation
Lack of perceived transparency and accountability in government functioning	Strengthening of transparency and fixing accountability in all government functioning
Uncertainty, and unpredictability of government policies	Clarity in objectives, and predictable government policies

### **Reforms required**

While the government has initiated certain measures to kick start the investment process and woo foreign investors, these seem to be hardly sufficient. A complete overhaul of the government functioning needs to be urgently initiated to provide a long term fix to the economic ecosystem of the country. This would require having competition, transparency, accountability, clarity in objectives, as the cornerstone of the reforms process.

However, none of this is suggested for the first time and neither there is a dearth of realisation that this would be a long drawn process expected to deliver results in quite some time.

So what could be the low hanging fruits which could be implemented within a short period with minimum efforts, but that could act as steps towards the “ought-to-be-situation” listed in the table above and provide a platform from which further reforms could be initiated? To avoid repeating mistakes of the past, such measure must not be a quick-fix approach but lay a foundation for the much required complete overhaul.

In order to provide a long-term fix to the problems faced by economy, one needs to understand the fundamental reasons that has resulted in situation faced today. While much literature is available about what ails in Indian economy, a snap shot is provided below:

<b>What is the situation?</b>	<b>Reasons?</b>
Low growth rate, led by low/ negative growth in key infrastructure sectors	Policies preferring state owned enterprises and hindering adequate competition in the sectors
High and unsustainable inflation	Competition distortionary policies and anticompetitive practices by market players
Lack of transparency and accountability in government functioning	Multiple objectives being sought to be achieved by a single policy
Uncertainty and unpredictability in policies	Short-term approach and inadequate pre and post assessment of costs and benefits while adoption and

What is the situation?	Reasons?
	implementation of policies

Consequently, in order to provide a long term solution, the suggested reform must be capable of being implemented without much hassle and act as a step towards:

- promoting competition and denouncing anticompetitive practices
- assessing costs and benefits prior to implementation of the policies, and review of costs incurred and benefits achieved post-implementation of the policies
- bring clarity in objectives of the policies

### **Could National Competition Policy be the first step?**

#### *What is competition policy?*

Competition policy is a set of government measures, policies, statutes, and regulations including a competition law, aimed at promoting competitive market structure and behaviour of entities in an economy. (Draft National Competition Policy, November 2011)

#### *How is competition policy helpful?*

The existence of competition policy reduces uncertainty for business and is an important element of a good regulatory package for private sector development. (OECD, 2005)

A review of cross-country literature suggests that there is a positive association between GDP growth and competition. Empirical studies have suggested that competition enhances productivity at industry level, generates more employment and lowers consumer prices. Competition-enhancing policies have pervasive and long lasting effects on economic performance by affecting economic actors' incentive structure, by encouraging their innovative activities and by selecting more efficient ones from less efficient ones over time.

To illustrate the growth benefits of competition, Bayoumi et al (2004)<sup>1</sup> have estimated that differences in levels of competition account for more than 50% of the current gap in GDP per capita between the Euro area and the United States. They conclude that more intense product market competition enhance growth and employment. Aghion et al (2001)<sup>2</sup> and Dutz and Hayri (1999)<sup>3</sup> echo these views through their empirical work.

#### *Will competition policy cater to the demands of Indian economy?*

As mentioned in the section above, in order to cater to the ailments of India economy, a reform must promote competition; provide for regulatory performance preview and review; and ensure accountability, clarity, and transparency in government functioning.

Testing competition policy on these touchstones, the following picture emerges:

<sup>1</sup> Bayoumi, T., Laxton D. and Pesenti P (2004), "Benefits and Spillovers of Greater Competition in Europe: A Macroeconomic Assessment", Staff report no. 182, Federal Reserve Bank of New York Staff Reports

<sup>2</sup> Aghion, P., Harris, C., Howitt, P. and Vickers, J. (2001), "Competition, Imitation and Growth with Step by Step Innovation," Review of Economic Studies, 68

<sup>3</sup> Dutz, M. and Hayri A., (1999), "Does more Intense Competition lead to Higher Growth?" CEPR Discussion Paper, No. 2249

- *Promotion of competition* - Competition policy involves the full range of measures that may be used to promote competitive market structures and behaviour. These include checking anticompetitive practices and promoting competitive government policies. It also ensures third party access in the interest of effective competition, to essential facilities in the infrastructure sector owned by a dominant enterprise on reasonable and fair agreed terms. In addition, the principle of competitive neutrality, which is inherent in competition policy, encourages regulations to be framed in such a manner that entities engaged in the same or similar lines of activity should be subject to the same set of legal principles and standards to ensure fairness, equality and non-discriminatory treatment under the law. Such an approach will result in greater predictability and consistency in the interpretation and application of the law, and promote more transparency, accountability and confidence in the legal and other institutions responsible for the implementation of the law. It would foster “due process” under the law.
- *Ensuring transparency and accountability* - Competition policy intends to promote good governance through bringing in greater transparency and accountability on account of available competing responses, avoidance of any rent seeking practices, and more transparent and cost efficient utilisation of resources. It promotes using public interest tests to assess the desirability and proportionality of policies and regulations, which are subject to regular independent review.
- *Regulatory preview and review* - Competition policy envisages a mechanism of ‘competition impact assessment’ to investigate if any anticompetitive effect is exerted by a provision in the existing or proposed laws, regulations and policies, enforced by them. All future as well as existing laws, regulations and policies may be subjected to a competition impact assessment.

In this regard, Shri Sachin Pilot, Minister of State (Independent Charge) of Corporate Affairs, in his lecture at the Annual Day of Competition Commission of India (CompCom) (20<sup>th</sup> May, 2013), noted:

*“... While earlier reforms have removed legal barriers to entry in most of the sectors, barriers to competition which harm innovation, productivity, and growth are pervasive in many sectors. Creating more competition in markets involves breaking down these barriers to competition. These factors make competition policy reforms a very high-priority area for the next phase of economic reforms in the Indian economy. **Ministry of Corporate Affairs is tirelessly working towards adoption of National Competition Policy so that across sectors and at various levels of government, all policies are assessed on the lens of competition. The introduction of competition assessment into government policies, laws and regulations has the potential to yield strong economic benefits by identifying areas, where market activity is unduly restricted and suggesting policy alternatives that will continue to meet policy goals while promoting competition as much as is possible.**”*

The National Competition Policy (NCP), if adopted, is expected to provide guidance to government entities for analysing policies, laws, and regulations that affect market activity and help achieve national strategic objectives such as attaining highest sustainable levels of economic growth with inclusion, improving investment climate and attracting investment, generating entrepreneurship and employment, checking inflationary forces, promoting economic democracy, protecting economic rights of citizens for just, equitable, inclusive and

sustainable economic and social development and supporting good governance by restricting rent seeking practices (Draft National Competition Policy, November 2011).

### ***Why is NCP not a deregulate-all approach?***

The NCP is intended to be flexible and accommodate appropriate sensitivities in matters requiring special policies for weaker section of society or regions or needs of environmental preservation and other strategic issues of public policy. It advocates adoption of a conscious view by the concerned authorities in balancing the competing considerations. It does not intend to seek laissez faire markets, blanket deregulation, disinvestment, welfare cutbacks, and reduced social services, neither does it seeks to prevent the government from increasing expenditure on welfare or levels of government-funded or subsidised social services, or maintaining government ownership of businesses. It recognises the need of government intervention in markets through optimal regulation, subject to adequate justification, and adoption of transparency, non-discrimination and accountability.

### ***Has adoption of NCP been recommended before?***

Various expert and high level committees constituted by the government have recommended adoption of a National Competition Policy. These include Raghavan Committee (2000), which observed, *“the Competition Policy has, as its central economic goal, the preservation and promotion of the competitive process, a process which encourages efficiency in the production”*; Mid-term Appraisal for the 9th Five Year Plan (1997 - 2002), which noted, *“There is an urgent need for articulating a National Competition Policy (NCP) in India. The NCP should fully reflect the national resolve to accelerate economic growth, improve both the quality of life of the people of the country and the national image and self - respect”*; and the National Common Minimum Programme of the Government of India (2004). The 9th and 10th Five Year Plan (2002 - 2007) emphasised the need for a competition policy, which was endorsed by the National Development Council.

In 2007, the Planning Commission constituted a Working Group to recommend a set of comprehensive policy instruments to generate a culture of competition. A gist of the recommendations of the Working Group was incorporated in the 11th Five Year Plan (2007 - 2012). The Working Group laid down broad objectives and principles of the competition policy and observed:

*“The economic reforms undertaken by the Government have been generally on sector by sector basis and the progress across sectors has not been uniform. The sector by sector approach also carries the risk of inconsistency between sectoral policies. There are several policies and laws that can have significant bearing on competition. These are often not competition-friendly, sometimes by design and often due to ignorance; such policies are anachronistic in the present economic milieu and adversely affect the competitive forces and the competition culture in the economy. This situation can be addressed only by adopting a comprehensive National Competition Policy and harmonising all other policies keeping in view competition dimensions. **A broad based, overarching National Competition Policy will promote coherence in the reforms and establish uniform competition principles across different sectors.**”*

The approach paper to the 11th Five Year Plan recognised creation of a competitive environment as pre-requisite to stimulate private investment. It emphasised the need for

increased reliance on competitive markets subject to appropriate, transparent and effective regulations.

The Manufacturing Plan under the 12th Five Year Plan re-emphasised the need to adopt the NCP so as to be able to achieve the set goal of manufacturing contributing to 25% of the GDP by the year 2025. In addition, during the 12th Five Year Plan period, a draft NCP has been prepared under the guidance of the Ministry of Corporate Affairs. Yet the government has not been able to move forward to adopt and implement the NCP in the country.

### ***Why is NCP required when competition law exists?***

A recurring concern surrounding NCP has been the benefit in adopting NCP when competition law exists and is functioning well.

In order to strengthen the forces of competition in the market, both competition law and competition policy are required. The two complement each other. The competition law prohibits and penalises anticompetitive practices by enterprises functioning in the market; that is, it addresses market failures. Competition policy is intended to promote efficiency and to maximise consumer/social welfare. It also promotes creation of a business environment, which improves static and dynamic efficiencies, leads to efficient resource allocation and consumer welfare, and in which abuse of market power is prevented/curbed. It also promotes good governance by restricting rent seeking practices of economic actors.

### ***Can NCP co-exist with sectoral policies?***

Sector regulators are required where competition cannot work effectively, such as with natural monopolies. Regulated sectors generally include major public utilities that are important for consumer welfare. Decisions made by sector regulators include technical issues and pricing or profit ceilings. However, some decisions by regulators are on matters that affect competition. In these cases, their decisions should reflect competition principles. If not, there can be distortions in the use of national resources that can harm consumers, including the poor. However, where endeavours of sectoral regulators are consistent with enhancing long-term consumer welfare and efficiency, there will be rarely be a conflict with competition policy, due to consistent ultimate objectives.

All kinds of policies (including industrial policy) require a careful assessment of competitive costs. If a restriction on competition is deemed necessary, its scope and duration must be proportionate. Furthermore, if preference to any market player is to be given, it should always be motivated by a long-term policy and not merely by short-term considerations.

### ***Domestic experiences of adopting competition policy in certain sectors***

In India, the effect of competition on price and accessibility is best illustrated by the case of telecommunications with teledensity increasing from a mere 2.32% in 1999 to 47.89% in December 2009<sup>4</sup> and tariffs falling from Rs. 16 to less than Re.1 per minute. Moreover, such intense competition amongst various service providers has resulted in improvement in availability and quality of service. Similarly, consumer gains have been observed in other sectors such as automobiles, civil aviation, newspapers, and consumer electronics.

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<sup>4</sup> <http://www.trai.gov.in/WriteReadData/trai/upload/PressReleases/721/Pr27jan2010no8.pdf>

Shri P. Chidambaram, Union Finance Minister, in his lecture at the annual day of CompCom (20th May 2013) noted -

*“The Indian telecom market has thrived with competition. Indian call rates are amongst the cheapest in the world, as Indian firms have evolved a uniquely Indian business model. Large volumes have of course helped, but those large volumes and the broad reach of communications - a cellphone in almost every hand - would not have been possible if it were not for the low price emerging from the business model.”*

### **Sectors suffering due to lack of NCP in India**

While some sectors have successfully imbibed a strong competition culture in India, relatively weak competitive pressure exists in a number of sectors, such as electricity, agriculture, higher education, healthcare etc. There are several policies and laws that can have significant bearing on competition. These should be made competition-friendly as far as possible.

While reforms have removed legal barriers to entry in most of the sectors, barriers to competition which harm innovation, productivity, and growth are pervasive in many sectors. Creating more competition in markets involves breaking down these barriers to competition. Competition policy reforms need to be a very high priority area for the next phase of economic reforms in the Indian economy.

The following table provides a snap shot of the sectors suffering due to lack of NCP<sup>5</sup>:

<b>Sector</b>	<b>Policy</b>
Electricity <sup>6</sup>	<ul style="list-style-type: none"> <li>• Monopolistic and dysfunctional structure of state utilities which create a façade of autonomous utilities, but are largely controlled by state governments</li> <li>• As per private players, the Ultra Mega Power Projects are not being truly successful as bids are made based on the domestic price of coal. Coal India Limited has fulfilled only 50% of its obligation as mentioned in the 12<sup>th</sup> Five Year Plan</li> <li>• Natural monopoly nature of transmission hinders private entry</li> </ul>
Civil aviation	<ul style="list-style-type: none"> <li>• High costs for entrants which raises the barrier to entry-fleet and equity requirements for domestic passenger air service</li> <li>• Preference to private players to allow consolidation</li> </ul>
Agriculture <sup>7</sup>	<ul style="list-style-type: none"> <li>• Distortions in marketing of agriculture produce due to the APMC Act</li> <li>• Procurement of agriculture commodities at MSP by government agencies with monopoly status</li> <li>• Restrictions on storage and movement of goods, as well as inter-state trading</li> <li>• Huge gap between prices consumers pay and prices farmers actually receive</li> <li>• Intermediaries do not always behave in a competitive manner</li> </ul>

<sup>5</sup> <http://www.iica.in/SectorStudies.aspx>

<sup>6</sup> [http://www.cuts-ccier.org/COMPEG/pdf/Report-Electricity\\_Sector\\_Study.pdf](http://www.cuts-ccier.org/COMPEG/pdf/Report-Electricity_Sector_Study.pdf)

<sup>7</sup> <http://www.cuts-ccier.org/COMPEG/Research.htm>

Sector	Policy
Higher education	<ul style="list-style-type: none"> <li>• Multiple regulatory system and overregulation (UGC, AICTE)</li> <li>• Government control over private education</li> </ul>
Healthcare	<ul style="list-style-type: none"> <li>• Regulatory entry barriers with respect to medical education, domestic manufacture of medical devices; health insurance; and public health procurement</li> <li>• Prescription practice of physicians in brand names</li> <li>• Collusive practices between physicians and pathology labs and between hospitals and medical goods suppliers</li> </ul>
Railways	<ul style="list-style-type: none"> <li>• Monopoly</li> <li>• Discrimination and undue advantage to Container Corporation of India</li> <li>• Commodity restrictions</li> </ul>
Road transport	<ul style="list-style-type: none"> <li>• Discretionary licensing (CUTS study)</li> <li>• Cartelisation being facilitated by truckers union around major production sites and factories</li> <li>• Preferential treatment of government towards its own undertaking</li> </ul>
Pharmaceuticals <sup>8</sup>	<ul style="list-style-type: none"> <li>• Consumption patterns not affected by prices; Doctors and pharmacists - decision makers</li> <li>• Collusive behaviour of pharmacies</li> <li>• Government making efforts to curb trade margins</li> <li>• Regulatory regime - hard on manufacturers but soft on doctors and pharmacists</li> </ul>
Finance	<ul style="list-style-type: none"> <li>• Mandate to deposit government funds with public sector banks</li> <li>• Legislations excluding the applicability of general corporate and financial laws to public sector institutions (such as exclusion of laws governing winding up of companies)</li> <li>• Government guarantee for sums assured with LIC</li> <li>• Prudential norms and discretionary licensing policy</li> </ul>

### *Evidence from other countries*

International experience suggests that countries have greatly benefitted from adoption of competition policy principles. Experience of few such countries is provided below.

#### Australia

In 1995, the Council of Australian Governments adopted the National Competition Policy (AU NCP). The policy was based on the report of the Independent Committee of Inquiry into a National Competition Policy for Australia (headed by Professor Fred Hilmer). The inquiry resulted from a widening understanding by Governments in Australia that significant economic benefits would flow from enterprises, whether publicly or privately owned, being able to operate in a nationwide market, that any strictures on competition had to pass a tougher public interest test and that reform had to be nationally coordinated. The Hilmer report noted, “*Competition policy is not about the pursuit of competition per se. Rather, it seeks to facilitate effective competition to promote efficiency and economic growth while accommodating situations where competition does not achieve efficiency or conflicts with*

<sup>8</sup> [http://www.cuts-ccier.org/COMPEG/PDF/Report-Pharmaceutical\\_Sector\\_Study.pdf](http://www.cuts-ccier.org/COMPEG/PDF/Report-Pharmaceutical_Sector_Study.pdf)

*other social objectives. These accommodations are reflected in the content and breadth of application of pro-competitive policies, as well as the sanctioning of anticompetitive arrangements on public benefit grounds.”*

The AU NCP was Australia’s landmark microeconomic reform programme. A key principle of the program was that competitive markets will generally best serve the interests of consumers and the wider community. The application of competitive neutrality in Australia has been always subject to the proviso that the benefits outweigh the associated costs.

The AU NCP is widely recognised as having contributed significantly to Australia’s welfare. It was estimated that Australia’s real GDP would be 5.5% a year greater than otherwise, once the productivity gains, service price rebalancing and other changes associated with the reforms had fully worked their way through the economy. The Productivity Commission of Australia, in its review of impact of the AU NCP, found that it has delivered substantial benefits to the Australian community which, overall, has greatly outweighed the costs.

The AU NCP has contributed to the productivity surge that has underpinned years of continuous economic growth, and associated strong growth in household incomes; directly reduced the prices of goods and services such as electricity and milk; stimulated business innovation, customer responsiveness and choice; and helped meet some environmental goals, including the more efficient use of water.

### Mexico

A comprehensive policy on competition was adopted in Mexico as a part of the National Programme of Economic Competition, which operationalised the systematic implementation of a competition regime in the country. The reforms of the foreign investment regime in the country, coupled with the adoption of effective competition legislation, have contributed to the strengthening of the investment regime in the country.

### Denmark

In Denmark, the Competition Authority regularly screens markets to identify its dysfunctional ones. The authority, after consultation with the relative sectors in the ministries, publishes detailed recommendations on some selected markets, on how regulation could be better designed to enhance competition.

### Turkey

In Turkey, the competition authority is empowered to provide its opinion on competition aspects of law and regulation. A communiqué issued by the Prime Minister urges government ministries and agencies to consult the competition authority in advance about proposed regulations and decisions that may have implications for competition.

### Botswana

The Government of Botswana adopted its competition policy in 2005. The decision to formulate a competition policy came about as a result of, *inter alia*, the government’s concerns about the likelihood of private anticompetitive practices emerging after economic liberalisation, which could undermine its reform objectives. This competition policy of the

Government of Botswana aims to provide a coherent framework that integrates privatisation, deregulation, and liberalisation of trade and investment, into a strategy for promoting a dynamic market led economy.

### Malawi

In 1990s, the Malawi Government adopted a policy of economic liberalisation to promote competition in the economy. In 1997, it adopted a competition policy for the country with a broad policy objective to promote economic efficiency and protect consumer interest, comprising of three broad strategies, namely, lowering barriers to entry; curbing restrictive business practices; and protecting the consumer.

### European Commission

The European Commission's "Impact Assessment Guidelines" include a specific test to assess, the competition impact of new EC legislation. In terms of these guidelines, it must be examined whether the proposed legislation could create any restrictions on competition, directly or indirectly, and whether the legislative objective can be achieved through less restrictive means.

Consequently, competition policy is a world-wide tried and tested tool, which has the potential to kick start reforms by ushering competition, transparency, and regulatory assessment, and can act as bedrock for introducing further reforms in the country.

### **Adopting NCP**

As stated earlier, an immediate reform must be such that it involves minimum efforts in implementation. Benefits of competition policy have already been experienced in certain sectors in the country, and a well-developed understanding exists, as a result of well functional competition regulator and informed and vigilant civil society institutions.

### ***Formulation of NCPC***

Given the wide canvas of NCP, a suggestion was made by the Planning Commission Working Group on Competition Policy and the Ministry of Corporate Affairs Committee on National Competition Policy, for setting up an institutional arrangement for monitoring the progress of the implementation of the policy. A small and compact National Competition Policy Council (NCPC) of about 25 members could be set up which would be advisory, non-statutory and autonomous in its functioning and be headed by an eminent non-official person and comprising key officials from economic Ministries/ Departments, and non-officials from media, academia and civil society. The task of the NCPC would be to review the progress in the implementation of NCP such as reviews of policies, regulations and practices, and the competition impact assessment of new laws, regulations and policies.

The broad objectives of the NCPC should be: (i) to preserve the competitive process and to encourage competition in the domestic market so as to optimise efficiency, (ii) promote innovation and maximise consumer welfare, (iii) to promote, build and sustain strong competition culture within the country; (iv) to achieve harmonisation in policies, laws and procedures regarding competition dimensions at all levels of governance, (v) to ensure competition in regulated sectors and to establish an institutional mechanism for synergised

relationship between the CompCom and sectoral regulators, and (vi) to strive for a single national market.

In addition, the state governments should be encouraged to undertake a review of existing policies, laws or regulations from the competition perspective and also undertake a competition impact assessment of proposed policy, law and regulations before these are finalised; while seeking expert assistance of the CompCom and other expert agencies. Similarly, the statutes, laws and procedures which govern the sub-state authorities need to be reviewed so as to align them with the principles of NCP. All state governments have, at the instance of CompCom, established nodal points within their administrations to deal with the subject of competition; the state governments will be encouraged to give these nodal points an effective role in this regard.

Consequently, as efforts have already been initiated and a broad proposal is already in place, no time should be lost in adopting a NCP, which could have a long-lasting positive impact in realising benefits of the reform process in the country.

## **Conclusion**

As discussed, there is a need to ensure that competition policy and law becomes a priority area for the polity in India, because it is a crucial component of a good business environment and it is an avenue for poverty reduction. Thus, we conclude:

- There is an urgent need to adopt National Competition Policy for India, so as to reap the benefits of reforms.
- There is a need for a wider understanding at policy levels in government, in the business sector and by consumers, of the beneficial impact of effective competition and of competition policy on an economy.
- The existence of an active civil society, (and particularly a vigorous consumer movement), an informed and open media, and an informed judiciary are needed if competition policy and law are to be fully effective.
- Political economy issues matter, including the need to recognise the potential role of vested interests in blocking reforms and competition law enforcement.
- State governments should encourage reviewing their existing policies and regulations to make them competition friendly. Competition impact assessment and regulatory impact assessment should be undertaken as and when necessary.
- Key to successful implementation of NCPC would depend on the support from the key stakeholders. Thus, there is a need to undertake awareness programmes about the benefits of competition policy and law.

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