



## Competition and Regulation in a Political Economy



Most developing countries have adopted market-oriented reforms as part of the globalisation and liberalisation process. However, due to various political economy reasons, distortions have often been observed in the working of the market process. Developing countries, particularly in Africa and Asia pose unique challenges for competition and regulatory law enforcement. These challenges need to be recognised for successful implementation of competition and regulatory policies.

Against this backdrop, CUTS International with the support of The Commonwealth Secretariat, UK

climate of competition in business. The conference reiterated that competition policy and appropriate regulation are important for efficiency in resource allocation and thus high output, quality products at low prices, and also for effective trade liberalisation.

However, quite often effective formulation and implementation of competition policy and regulation is frustrated by pressures from small but powerful vested interest groups, and structural factors such as overlap in the domains of sector regulators and the competition authority, and lack of synchronisation among regulatory

“Without motivating politicians, appropriate regulation and enforcement of competition regimes is not possible. Such enforcement is in turn important for both product quality as well as price”, said M A Razzaque, Economic Adviser to the Commonwealth Secretariat.

Entry barriers are the key concern in developing countries. Differentiating between developing and developed countries, V K Mathur, Former Chairman, AAI highlighted that developing countries face certain entry barriers in the form of poor literacy, lesser independence, and poor quality of reach to public institutions.



organised a one-day International Conference entitled, ‘Political Economy of Competition & Regulation in Developing Countries’, in Jaipur, Rajasthan, on June 24, 2009.

The objective was to sensitise a select groups of civil society organisations (CSOs) from Africa and Asia about political economy constraints in enforcing competition and regulation in order to enable these to act as pressure groups in their own countries to catalyse the reforms process.

This conference explored issues pertaining to the interplay of stakeholders associated with regulatory issues and the associated

reforms in different sectors. Such problems caused by political economy factors and associated challenges of institutional design were addressed by the conference.

Pradeep S. Mehta, Secretary General, CUTS International in his opening remarks elaborated on the need to combat powerful lobbies blocking the effective enforcement of competition regimes and independent regulation. The actions of these lobbies invariably compromise consumer interest by creating shortages and leading to high prices, he said. Around 50 participants, from developed as well as developing countries, participated in the event.

In many instances in developing countries, the existence of an economic elite, having a close relationship with government, itself prevents the development of competition as it may weaken their dominant position, said Rohit Singh of ODI. He threw light on political economy factors affecting the efficient functioning of markets.

Mathew Morris, DFID, UK emphasised on the importance of evidence, advocacy and assessment of impact of political economy factors on the economy. He also emphasised on campaign for competition and evidence to show impact of political economy factors.

## Competition in West Africa – A Catalyst to Growth

CUTS has been implementing a project entitled, ‘Strengthening Constituencies for Effective Competition Regimes in Select West African Countries’ (also referred to as the 7Up4 project) in seven countries of West Africa: Burkina Faso, The Gambia, Ghana, Mali, Nigeria, Senegal and Togo since June 2008.

The project highlights the relevance and need for an effective competition regime for economic development and poverty reduction in these countries/region, and aims to set in motion the process of evolution and effective implementation of national competition regimes, and enable stakeholders to engage appropriately in the processes.

Project partners are now embarking on a detailed assessment of the state of competition in each country. This research would also include a specific-study of competition concerns in the agriculture sector (specific crops) comprising a detailed assessment of how the lack of competition affect livelihoods and frustrates poverty reduction strategies of the government. The study will look at both the input and output markets of selected crops. In order to achieve this,

CUTS has prepared three sets of questionnaires directed at seed suppliers, fertiliser suppliers and farmers which the partner organisations are currently using to conduct the study.

The outcomes of the research conducted in each project country will be showcased and discussed at an Interim Review Meeting of the project to be held in Banjul (The Gambia) on July 29-30, 2009.

Apart from discussions on the findings of the research undertaken as a part of the project, efforts would be made to highlight specific advocacy issues and training needs in the project countries/region. In addition to an analysis on the state of competition in each of the project countries, the programme will include a panel discussion on the contribution of competition to growth and poverty reduction and sessions on political economy constraints in implementing competition regimes; and competition issues in the agriculture sector.

For more information on the project please visit:  
[www.cuts-ccier.org/7up4/index.htm](http://www.cuts-ccier.org/7up4/index.htm)

## Addressing Consumer Concerns in Power Sector

CUTS with the support of the Norwegian Agency for Development Cooperation (NORAD) is undertaking an initiative over two years (2008-2010) in Nepal, Bangladesh, and two states of India (West Bengal and Rajasthan) to build capacity of consumer groups/civil society organisations (CSOs) to enable them to deal with the issues involved, take-up action research, share experiences, and carryout advocacy with policymakers and regulatory agencies to effect pro-consumer changes in the electricity regulatory/policy processes. The project is being implemented in association with local partner organisations across project territories.



As a part of this project, Grassroots Interface Meetings (GIMs) were conducted in two phases in all the project territories: Nepal, Bangladesh, and two states of India (West Bengal and Rajasthan) during June-July 2009 in order to raise consumer concerns related to the electricity sector in an attempt to address them.

On the basis of the feedback received from consumers, it has been revealed that these GIMs have proved very useful in understanding the complaint redressal mechanism. How to save energy and contribute in reducing theft of power, are some of the key issues discussed with grassroots’ consumers. Not only consumers, but representatives on

behalf of electricity utilities have found these meetings as important platforms to deepen the communication channels between utilities and consumers. Handouts prepared in vernacular text on important consumer issues in the sector were distributed during these GIMs. The experience of these GIMs and note of systemic problems faced by consumers would also be shared during the National Advocacy Seminar, to be conducted after these meetings in the project territories.

For more information on the project please visit:  
[www.cuts-ccier.org/RESA/index.htm](http://www.cuts-ccier.org/RESA/index.htm)

## Need for an Effective Competition Law in Bangladesh



The programme on Competition Law-Policy (CLP) is part of a broader regulatory reform programme of the Bangladesh Investment Climate Fund (BICF). An important component of the CLP programme relates to **Institution Building and Capacity and Skills Development** of officials in the public and private sectors, academic teaching and research institutions, professional bodies, civil society organisations and the media. This is a two year programme (April 2009 to December 2010) being implemented by CUTS with support from Unnayan Shamannay, Dhaka, Bangladesh.

The programme aims at developing adequate capacities within the government, academia, private sector, civil society, media and other key stakeholders to analyse and address competition related issues. It is expected that at the end of the programme, a critical mass of officials will be created within and outside the government with solid knowledge and understanding of competition law-policy.

### Launch Seminar

The programme was formally launched in Dhaka, on June 20, 2009. Various stakeholders actively participated in the seminar. Faruk Khan, Commerce Minister mentioned that his ministry will make a move to enact the new law to curb unscrupulous syndication in business and remove all the obstacles towards doing business through fair competition. During the discussions, it was felt that there is a need to



undertake advocacy work towards creation of awareness among stakeholders and build confidence among business to enable them to understand that the law will not hurt their businesses.

### Training of Trainers and Closing Seminar

Following the launch seminar, a training of trainer's programme was organised in Dhaka during July 02-04; 09-11; & 16-18, 2009 respectively. The purpose of the programme was to generate human capital to be involved in the semester courses in the future, and stimulate academic and professional discourses on competition policy and law issues. As part of the activity, the project team also have to design and implement semester courses once in 2009 and thrice in 2010 in partnership with different Universities in Dhaka.

To mark the culmination of the training programme, a closing seminar was organised on July 19, 2009.

## Advocacy

### Why World Competition Day?

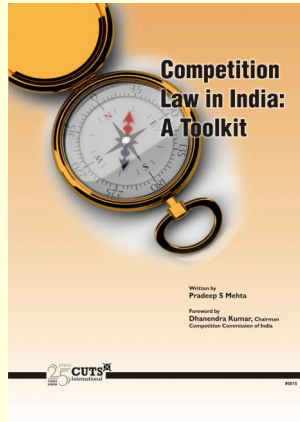
Although Canada and the US adopted the world's first "modern" competition laws over a century ago, international interest in and awareness of competition laws remains far from satisfactory today. Globalisation and heightened levels of international trade have increased the importance of competition policy and law issues. At the same time, national governments, international agencies, donors and the global policy community are increasingly realising the need for effective implementation of competition policy and law globally, as a means of realising more fully the benefits of economic and trade liberalisation. To ensure that consumers around the world realise the potential benefits of an effectively implemented competition regime, and also play their role in making competition regimes work worldwide, it is critical that focus on competition policy and law issues at an international level be strengthened. This can be achieved through the adoption of a World Competition Day.

The idea of the need for increased global campaign on competition through such a Day was also adopted by over 50 participants from across Asia, Europe and Pacific, At the 'Asia Pacific Regional Seminar on Competition Law and Policy', organised by United Nations Conference on Trade and Development (UNCTAD) in association with the Monopolies and Restrictive Trade Practices Commission (MRTPC) and CUTS in April, 2000 at Jaipur (India), over 50 participants from Asia, Europe and the Pacific agreed that there was a need for an increased global campaign concentrating on competition. The *Jaipur Declaration*, formulated during the course of this seminar, recognised that an international Day of Awareness was a desirable way of promoting competition issues globally.

The idea was echoed by other global agencies. The Fourth United Nations Conference to Review the UN Set, held at the Palais des Nations, Geneva, from September 25-29, 2000, resolved that the IGE should "Study the feasibility of establishing a UN World Competition and Consumer Day as a means of publicising benefits to consumers of competition policy and educating the public at large".

## Enforcing Competition Law in India: A Toolkit

CUTS is coming up with a timely publication, 'Competition Law in India: A Toolkit'. This publication makes a very lucid presentation of the substantive provisions of the Competition Act 2002 as amended in 2007, along with illustrations drawn from various jurisdictions, including India's own Monopolies and Restrictive Trade Practices Act 1969. It is also enriched with one full chapter on competition and intellectual property rights law, which has substantial relevance in developing countries like India.



## Informal Sector and Competition: A Comprehensive Agenda for Research and Action

The Discussion Paper recommends that the decision to formalise the informal sector should be based on a cost-benefit analysis.

It goes on to elaborate various methods of formalisation: reduction in the number of procedures/clearances involved or time involved in registration of firms in the formal sector, extent of corruption that determines the magnitude of bribery involved in the same process; and reduction of disincentives such as high tax rates, coupled with enhancement of incentives such as credit leveraging and entrepreneurial assistance/training provided by the government to the formal sector.

[http://www.cuts-ccier.org/pdf/Informal\\_Sector\\_Competition.pdf](http://www.cuts-ccier.org/pdf/Informal_Sector_Competition.pdf)

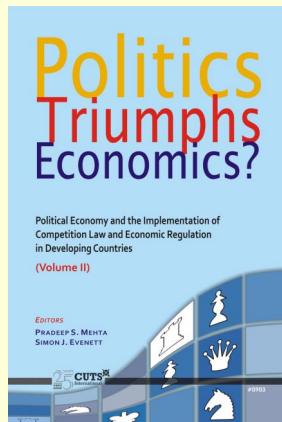


## Politics Triumphs Economics?

*Political Economy and the Implementation of Competition Law and Regulation in Developing Countries (Volume II)*

This volume, second in the series, under the Competition, Regulation and Development Research Forum (CDRF) project is compilation of 9 papers which were presented at the symposium marking the culmination of the research efforts of the 1st research cycle of CDRF. The research papers covered the experiences of a wide range of developing countries as seen mainly through the eyes of developing country authors.

<http://www.circ.in/pdf/PoliticsTriumphsEconomics-Vol2.pdf>



**Pradeep S Mehta** spoke at an OECD Corporate Responsibility Roundtable on, 'Consumer Empowerment and Business Behaviour: A Win-Win Relationship' in Paris, on June 15, 2009.

**Rijit Sengupta** participated in the 14<sup>th</sup> International Competition conference organised by Bundeskartellamt (German Competition Authority) in Hamburg, on April 26-28, 2009.

**Mehta** and **Atul Kaushik** attended the International Competition Network (ICN) conference in Zurich, on June 03-05, 2009 and the IDRC pre-ICN forum entitled 'Competition Principles Under Threat' organised by IDRC and Comco, on June 02, 2009.

**Rijit Sengupta, Cornelius Dube** and **Udai S Mehta** attended the 'National Conference on State of Competition in the Indian Economy', in New Delhi, on June 11-12, 2009.

## Advocacy through the Press

### When Economy Slows, Cartelisation Grows

*Business Line, April 28, 2009*

*By Pradeep S Mehta*

The MRTP Act, 1969 and its implementation thus far shows it is ineffective in dealing with cartels. A new law which prescribes severe penalties for cartelists, therefore, needs to be drafted. In a free-market-driven world, cartelisation is considered an evil. Effective measures need to be taken against the same.

[http://www.cuts-ccier.org/ArticlesApr09\\_1.htm](http://www.cuts-ccier.org/ArticlesApr09_1.htm)

### We Can and We Should Do

*The Economic Times, May 22, 2009*

*By Pradeep S Mehta*

The recommendations for reform in infrastructure governance arising from the splendid work done by the Planning Commission and NGOs have to make the journey from paper to the realm of implementation.

[http://www.cuts-ccier.org/ArticlesMay09-We\\_Can\\_We\\_Should\\_Do.htm](http://www.cuts-ccier.org/ArticlesMay09-We_Can_We_Should_Do.htm)

### Extend Capacities, not Subsidies

*The Financial Express, June 30, 2009*

*By Pradeep S Mehta & Siddhartha Mitra*

Stop-gap measures such as subsidies and exchange rate management to enhance the marketability of exports, without addressing core issues of efficiency and competitiveness cannot be used repeatedly—medicine that suppresses the symptoms of the disease, without targeting its root cause can ruin the health of the system in the long run.

[http://www.cuts-ccier.org/media-archive-June09.htm#Extend\\_capacities\\_not\\_subsidies](http://www.cuts-ccier.org/media-archive-June09.htm#Extend_capacities_not_subsidies)