

12TH MEETING OF THE GLOBAL FORUM ON COMPETITION

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Introductory Comments by Frédéric Jenny Chairman of the OECD Competition Committee and Global Forum on Competition

Mr. Boucher, Dr. Supachai,

Thank you very much for your presentations. They raised a very wide set of interesting questions that lay out the complexity of the issue that we are going to discuss today.

First of all, I would like to welcome the 400 delegates here today, representing around 110 delegations, including approximately 95 countries. I would also like to reflect on the OECD Global Forum on Competition, which is now in its 12th edition. We were not very sure when we started this initiative what its future would be. There was a great desire to promote a dialogue between countries that had a lot of experience in competition law and countries that had less experience, but I certainly would not have anticipated that the Global Forum would reach the level that it has reached today.

If we reflect on why it has been successful so far, and I certainly hope that it will continue to be successful, I think that part of the answer has been the attempt that we have collectively made to choose topics that are of interest to both communities. Poverty reduction, which is one of the two issues that we are discussing in this session, is an excellent example. Why? Because on the part of OECD countries there is a great desire to integrate economic thinking and different aspects of economic policy, and to come up with a sensible set of policies to link these, because this is an intergovernmental organisation formed of many committees and divisions looking at different policies.

If we look at what happens in developing countries in terms of competition policy and competition law enforcement, a great question arises in many countries. The question is, in what way are you, competition authorities, contributing to the achievement of the more general, more important goals of the country, and in what way are you linked to the other policies that a country has? That is, the interface between on the one hand an institution, which by design is focused on issues of integrating economic reasoning, and on the other hand questions that competition authorities may have, such as “how well do I serve my country, I am certainly a good competition authority, I try to do a good job but how useful is that for the country at large, and how does it fit in with the other policies that are pursued by government?” I think poverty reduction is a natural topic for this room, which may be why so many of you decided to come today and to contribute to this discussion.

Moving on to some of the issues that Dr. Supachai has outlined on competition and poverty reduction, I would distinguish a number of different levels in terms of the questions that we are going to address today. The first level is the relationship at the macro level between competition,

competition law enforcement, competition policy and poverty reduction. There are good economic arguments to say that there is at least an indirect relationship in the sense that competition drives productivity increases, which drive growth, and growth itself leads to a decrease in poverty. We have a fair amount of evidence that over the last 15 years a number of countries that were developing through market mechanisms have seen significant parts of their population come out of poverty and become part of the middle class. This seems to confirm the intuition of economists that there is a relationship between these two things through an indirect way.

But one of the things that we have also learnt, and Dr. Supachai has alluded to this, is the fact that competition policy or competition law enforcement are not sufficient by themselves. They are necessary components, but they are insufficient, which explains why in a number of countries where a competition authority is trying to do as well as it can there are no obvious results in terms of alleviating poverty or promoting growth. This may be because there are other policies that may not enable competition policy to be as useful as it could be, such as deregulation, trade policy, and industrial policy. Dr. Supachai has also talked about consumer policy as being a necessary complement.

It appears that there is a renewed interest in establishing those complementarities to achieve the goals that competition could reach. I recently hosted a conference where the European Competition Commissioner Mr. Joaquín Almunia said that competition policy is complementary to industrial policy, which is not necessarily something that the EC Competition Commissioner would have previously considered. Of course, part of this may come from the lessons learnt from the crises. Perhaps competition does not always prevent markets from failing, and we need something else. Many questions arise from this, such as what kind of industrial policy, but I am not going to go into this. The main idea is that competition policy has to be joined up with other policies to deliver its possible benefits.

The next level is to look at whether competition law enforcement make a difference to poverty at the micro level. Competition law enforcement is only one part of what drives competition. Today we will hear several examples of cases where competition law enforcement has typically contributed to alleviating poverty, either in a sector or in a community. We will also hear examples of how consumers are better off after the intervention of competition authorities, particularly poor consumers. There will also be examples of how poor entrepreneurs or people who were not part of the economic activity were able to gain access through the elimination of barriers to entry or exclusionary practices. This is reassuring in the sense that it shows that one can have anecdotal evidence on the ground level, but that there is a sufficiently large amount of this evidence to see an effect.

One of the issues that will arise when we look at the micro level is the fact that competition law enforcement and competition policy work in the long term, but what happens in the short term? In the short term, more competition may mean less price regulation, and less price regulation may mean an increase in the cost of goods because presumably the price control was to keep prices at below what would have been the market level. Or it may mean that there is more competition so there are firms that fail. What happens to the people who work in those firms? It is possible that in the general process of promoting poverty alleviation pockets of poverty may be created in the short run. The big question is how do we deal with this? What kind of policy do we have to smooth out these transitions?

A very good example of this is what happened in Latin America during the 1990s. A number of public services such as water distribution or electricity were deregulated and opened to competition with the purpose of increasing productivity and improving the professional management of those utilities. All those that did not pay, which in many cases were the poor, had their electricity disconnected or the water turned off. There was a reaction against this, making this kind of policy antagonistic to the idea that such measures were supposed to spread growth. As a result, countries had to backtrack on such policies because the safety nets necessary to smooth out the transition were not present.

The last level of thinking about the issue of poverty reduction, and now we get down to the bread and butter of competition authorities, is whether there is a design of competition law. We know that competition laws are not the same throughout the world, and we all agree that while there is a core coherence that all competition law should follow, there are differences. The question is, if the issue of poverty is very important in a particular country because a very large part of their population is affected by it (you will see that in some of the countries we are talking about 30%, 40%, or 50% of the population are considered poor according to the official definitions of poverty), should there be a different type of competition law? And if so, what should be different? Or should there be different enforcement priorities? Is it legitimate for competition law enforcement to be adapted to the social goal of poverty alleviation in countries where this is a major issue?

We will explore these issues at the end of the day. We may not come up with precise answers, but we will at least attempt to see whether there is a degree that could indicate to competition authorities if there are cases that they should pursue more energetically than others, or if some types of legal instruments are more appropriate if poverty alleviation is one of the main issues. We cannot go too far in that direction because we risk losing the real goal of competition, which is to promote competition in markets and the teaching of economic analysis, but it is still worth investigating what the degrees of freedom are in the practices of competition authorities.

These are all highly interesting questions. Dr. Supachai has touched on a lot, through examples but also by referring to the need to have complementary policies and to keep distributional issues in mind. This is one of the challenges. Should we care about distributional issues when we talk about competition law enforcement? Traditionally we have not done so. Traditionally we have looked at the allocative benefit that one could get, but there are countries where the distributional issues are very important. Is there another instrument that is better? If there is another instrument, how do we know if it is in place, and that it supports the development of competition policy?

This is a very exiting topic and I would like to thank Mr. Boucher and Dr. Supachai for an excellent introduction to these complicated issues. We will report back with any solutions we find. Thank you again for your presence.