

FTC's 13th Annual Lecture Highlights importance of Competition Policy

Competition Policy and Economic Development – is there a link for Small Economies? was the focus of this year's Fair Trading Commission Annual Lecture, where the contribution of competition to national development was brought to the fore. In his presentation, guest speaker Mr. John Davies, Senior Vice President of Compass Lexecon (Paris), highlighted the importance of competition enforcement and the benefits that both consumers and commerce gained from its presence.

From cartels in the vitamins industry to price fixing in South Africa's bread industry, Mr. Davies made the connection between uncompetitive markets, how they stifle growth in business and the social impact experienced by consumers. In his presentation, Mr. Davies revealed that, on average, between 1990 and 2013, discovered international cartels had had an impact on hundreds of billions of dollars in commerce per year. Such activity was not limited to overcharging for products, but reduced production which would inevitably affect demand – and price. The guest speaker was quick to note that the information shared only reflected those cartels that were discovered and revealed that the true cost to the consumer was likely several times greater.

Not only does effective competition policy result in a fair marketplace for businesses and members of the public, Mr. Davies asserted, but it also serves as a deterrent for illegal activity. "Overcharges were systematically higher in countries without effective competition law and institutions to enforce it," he observed.

Using an example of bid rigging in the pharmaceutical industry in Mexico, he added that it was critical that companies and regulatory authorities work together to ensure that competition was maintained. He did, however, admit that regulation could also thwart competition in the marketplace. Citing the OECD's Competition Assessment on Greece for 2014, he asserted that regulatory barriers to competition stifled markets and could be counterproductive to the overall goal of growth. Nevertheless, he noted that competition policy offered more positives than shortcomings.

Noting that competition policy was critical for the poorer sections of society, Mr. Davies stressed that "it is much more important for the vulnerable in our societies and a lot of competition authorities are realising this and trying to focus their work more in areas which are of important to lower income workers";

This was especially true in smaller countries, Mr. Davies said. He added that encouraging new entrants into markets benefitted both companies and consumers, as the increase in competitiveness led to increased productivity within companies and fairer prices for all.

Mr. Davies's PowerPoint Presentation may be accessed here . [pptx]