

**High Level Panel on the Role of Competition Policy in the Global agenda**  
**13<sup>th</sup> Session of the IGE on Competition**  
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Speech by the Secretary-General of UNCTAD

*AS PREPARED FOR DELIVERY*

Distinguished Vice Premier of Ukraine,  
Distinguished Vice Minister of Finance of Pakistan  
Distinguished Vice Minister of Guatemala  
Distinguished Heads of Competition Authorities, Consumer agencies and sector regulators  
Ladies and Gentlemen,

It is a pleasure for me to welcome you to this 13<sup>th</sup> session of UNCTAD's annual Intergovernmental Group of Experts on Competition policy. Judging by the number of delegates - more than 350 delegates have registered for the meeting - the IGE has become a highly appreciated feature of UNCTAD work on competition policy.

As you may know, this will be the last time I address this gathering as Secretary-General of UNCTAD, before stepping down at the end of August. I have therefore decided to convene a High Level Panel to reflect on the important topic of the "*Role of Competition Policy in the Global agenda*". Competition policy is at the centre of the debate on economic policy in a large number of countries, as well as a central policy issue in regional and international cooperation, including within the EU, COMESA, ASEAN, and CARICOM. Furthermore, competition policy also figures among the priorities in the ongoing negotiations on the TPP and the EU-USA Free Trade Agreement and other bilateral and regional trade liberalization efforts.

This prominence is not altogether surprising. Experience has shown that competition policies can play a vital role not only in supporting market dynamism and efficiency in developed economies, but also as a tool for growth and inclusive development in developing countries. For these reasons, we in UNCTAD have always attached great importance to competition policy as a tool for economic growth and development.

Markets are powerful mechanisms for allocating resources. They can be harnessed to promote innovation and economic development. However, in the absence of basic regulation, they can generate significant misallocations and highly suboptimal outcomes. The recent financial crisis, for example, has demonstrated that de-regulated financial markets are not able to adequately price risk, and allocate resources efficiently. Instead, they are prone to herding behavior and crises. Thus, financial regulation is needed to prevent such misallocations.

Competition policy is a similar example of basic regulation needed to ensure that markets work effectively. Unregulated anti-competitive practices lead to sub-optimal allocations of resources (mostly at the expense of consumers), and reduce dynamism and innovation. Well-adjusted competition policies can ensure that competitive markets provide opportunities from which both businesses and the poor stand to benefit. They can therefore play a key role in market-oriented economic reforms and in pro-poor development strategies. They can even contribute to the achievement of the Millennium Development Goals (MDGs).

The poor are often the most vulnerable to the negative consequences of monopolistic markets and anti-competitive behavior. As both producers and consumers, largely in the informal markets, they suffer from inefficient and

uncompetitive markets. New formal business entrants can potentially increase competition, lower prices and improve consumer choices—often providing products and services previously unavailable or unaffordable. Some of these services, such as mobile telephony or financial services, can directly improve productivity, earning power and access to jobs. Others, such as basic health care, pharmaceuticals or clean water, translate directly to improved living standards.

Indeed, UNCTAD has argued for a while that our efforts to achieve the MDGs, as well as any post-2015 development agenda, must be supported by efforts to build productive capacities and support *economic* development. Even the present MDG achievements will not be sustainable unless greater attention is devoted to generating inclusive growth and making both public sector and markets more efficient in developing countries. Competition policies can play a key part in these efforts. While specific policies to introduce pro-market reforms need to be assessed on a country-by-country basis, there is a clear scope to improve the efficiency of public expenditures and the working of markets to generate prosperity for all citizens, and particularly the poor, as well as for business.

And yet, in this turbulent period of economic uncertainty after the crisis, policy makers in several countries have questioned the role of competition policy in ensuring the efficient use of resources. Others see competition as one of the causes of unemployment, low growth and instability in our world without borders; others still have advocated different perspectives on the right balance between the operations of the market and the role of the state reflecting differences in cultural backgrounds and historical experiences.

My sense is that overall, there is still a consensus that competition has a positive impact on market operations. It is evident from past experiences that economic crises provoke protectionist policies. However, we believe that global solutions do not lie in protectionism, which diminishes trade opportunities and hence further worsen the effects of the crisis. Economies of developing countries are likely to suffer even more when protectionist measures are undertaken by the developed countries. We are at a time when all economies should continue to follow policies supporting an open global trading system which will benefit them and alleviate the negative impacts of the crisis.

Needless to say that the markets are not always perfect and that the global economy presents new challenges as it evolves. However, the point is, the economic challenges we face today cannot be realistically addressed outside of the global system due to its interdependence. Such considerations, have led to calls for placing competition policy on the international agenda. In an effort to reduce existing inconsistencies between international trade and competition regimes, several approaches have been put forward to bridge the gap. These approaches range from mutually reinforcing cooperation measures to ensure that beneficial effects of liberalization of governmental border restraints on trade are not nullified by private anticompetitive practices, to measures that would encourage trade regimes to draw upon competition principles to further the trade liberalization process. In view of its experience with the UN Set on competition, its broad mandate in the field of development and its universal membership, UNCTAD could make an important contribution to this process.

At the same time, we would argue that there is a need to embrace a much broader vision to address some of the biting anticompetitive practices such as

cartels and abuse of market power both at national and international levels. Anti-competitive international mergers and acquisitions by transnational corporations, which touch many jurisdictions is another area of concern. Domestic mergers were one area that generated concern during the height of the economic crisis, because some governments were making unilateral decisions to allow mergers without considering the competition effects of such transactions.

Ladies and gentlemen,

In this broader context, UNCTAD has continued to increase its competition advocacy efforts, reminding policy-makers that consumers and particularly the poor benefit most when competition is not fettered by subsidies, special benefits, and exceptions to the rules of competition. One of the innovative tools that we introduced in our work is the voluntary peer review process.

As you know, UNCTAD launched the Voluntary peer reviews in 2005 couple of months after I took office in UNCTAD. The first peer reviews of Kenya and Jamaica were held during the 5<sup>th</sup> UN Conference to Review the UN Set on competition, which took place in Antalya, Turkey, that year. The peer review of competition law and policy provides a unique opportunity to review the substantive content of the national competition law, its implementation and an assessment of the impact of decisions made as well as reviewing the broad economic environment which economic policy is formulated. The aim is to ensure coherence in public policy and generate prosperity for consumers and business. Since the launch in 2005, we conducted 22 other Voluntary Peer reviews including two with a regional dimension for SADC and the West African Monetary Union. I am also pleased to note that our peer reviews of Costa Rica and Nicaragua and those of the OECD for

El Salvador and Honduras are complementary and generate synergy in assisting these countries. Further, the preparatory process of Ukraine peer review was also a joint effort with the OECD. We in UNCTAD are of the view that cooperation of this sort between UNCTAD and the OECD is of great value to member states particularly for developing countries and economies in transition.

The recommendations of these peer reviews serve as a basis for an objective and transparent needs assessment and the formulation of tailor-made capacity building projects. The follow up on the recommendations, particularly with Policy makers, including at the Head of State and Head of Government level, is a crucial aspect of our work. I have personally traveled to several peer reviewed countries to meet with Heads of States, Prime Ministers, Ministers and Parliamentarians to highlight the importance of competition policy and the complexity of the economic and political environment in which competition agencies operate. In this context, I found that advocating for independent competition authorities is the hardest task, not necessarily because of political opposition, but rather because budgetary constraints and structural adjustment programs often call for the reduction of the number of public agencies rather than for creating new, autonomous ones. And yet, independence and accountability are key attributes of well-functioning competition agencies, which in turn will ensure legal certainty and create a favorable environment for attracting investment.

Ladies and gentlemen,

The main topics of the IGE this year were selected in such way as to further advance the debate on the role of competition policy as an effective economic policy tool for generating growth and reducing poverty. You will discuss the

impact of cartels on the poor and vulnerable, priority setting and international cooperation. The UNCTAD background reports show that very few young agencies have successfully tackled cartels, whose harm fall disproportionately on the poor. One of the main reasons reported by agencies that replied to an UNCTAD questionnaire is lack of human and technical resources, lack of cooperation between young and more advanced competition agencies in international cartels and the challenges of setting priority linked to resource constraints and limited experience. An exchange of ideas and experiences backed by effective capacity building would go a long way in addressing some of the challenges which young competition agencies face.

In order to facilitate such informal cooperation we have launched an on-line data bank platform that will allow interested competition agencies to post non-confidential information on cases that are in pre-phase one of the inquiry, so as to draw attention to cases that may involve more than one country. The Data bank will also have an alert system that would inform all members of the platform about the case or a sector enquiry that was initiated by one member of the platform. The added advantage of this alert system is to allow young agencies to make sparing use of scarce resources by sharing costs and allocating tasks.

Our support to developing countries goes beyond assistance to young competition agencies. It also addresses the challenges of integrating into the world economy and benefiting from globalization, In this connection, I will be attending this afternoon an UNCTAD-SECO side event to be held during the Aid for Trade Forum at the WTO, where the main theme this year is how Global Value Chain can generate growth and economic development. One of our contributions to this debate is to identify the opportunities and challenges that need to be addressed so

as to unlock productive capacity, generate growth and employment in developing countries and economies in transition. Our World Investment report 2013 focuses in this issue on the Global Value Chain and devotes several chapters to the role which Competition Policy can play in maximizing the benefits of globalization and particularly reducing poverty. I intend to present these findings as well as those of our experience in the field through the COMPAL and AFRICOMP programs

These are some of the reflections about competition in the global agenda, and the role that UNCTAD can play, that I wanted to share with you in opening this High level Panel. I now look forward to hearing your views and those of the distinguished delegates present here today.

I thank you for your attention.