

Intergovernmental Group of Experts on Competition Law and Policy

Geneva, 19 October 2016

Opening Statement by the Deputy Secretary-General of UNCTAD

As prepared for delivery

Distinguished delegates,

Ladies and Gentlemen,

70 years ago, the United Nations came together to discuss for the first time the negative consequences of restrictive business practices. This is how competition policy entered into the UN agenda.

But that was just a start.

That gathering became the genesis of our global journey to nurture efficient and competitive markets -- and also, fair markets. Today, the UN, through UNCTAD, is the only global forum where developed and developing countries meet and share their challenges and successes in the competition front. Today, as 70 years ago, our global commitment to fairer markets is relentless, and this meeting is a clear example of it.

The world has changed, and a lot, in 7 decades. And so have markets. Thus the constant challenge for competition authorities to adapt to the new realities. To ensure competition is preserved, not as an end, but as a means to foster efficiency, as a means to enhance consumer welfare.

One of the major changes we have seen is the blazing trail of globalization. And let me give you two figures to remind us the speed and magnitude of it.

In 1970 trade as a percentage of world GDP was nearly 10%. In 2015, this figure was nearly 25%.

And if you look at Foreign Direct Investment the figures also speak by themselves. In 2015, Global FDI flows reached US\$1.7 trillion, with FDI stock tripling as a percentage of global GDP since 1990.

So, we live in a world where more and more firms send more and more products abroad. And, where firms invest abroad more than they have ever done before.

These changes were not an accident. They were the result of a conscious international effort to open up trade and investment. And it has brought important benefits to societies: more and better products at lower prices, more production specialization, increased competition, and scale economies.

But we have also seen far too many cases where these benefits from openness fail to materialize, not least for our citizens. This is especially the case when market competition is a simulation - not a reality.

Such as: When globalization turns unbridled against us in the form of an international cartel that increases prices for consumers.

Or, when competition authorities are unable to stop a firm that forecloses the market to deter entry or that uses market dominance to squeeze out its competitors.

Or, when a company is rewarded for lobbying more and not for innovating more.

So, I have two messages:

First, to my fellow friends in the trade community:

For years, at the negotiation tables, we have fought hard to expand the borders and benefits of trade. But all that work, and the benefits of trade, can easily be offset by the absence of effective competition.

We have to change our approach. We cannot look at trade and competition as separate elements.

We have to see competition as an inherent part of the type of trade we need: Trade that delivers to countries, that delivers to consumers, that includes rather than excludes people.

My second message is to our friends in the competition community:

You have a key role to play in the globalization process. By ensuring competition is preserved; by harnessing market forces for the benefits of consumers; by preventing abuses in the market place, you do much more than only your job.

You can make markets fairer and globalization more inclusive and equitable.

And in doing so, you can also make globalization more politically feasible and more politically sustainable. In today's unstable and anxious world, this is needed more than ever.

Ladies and Gentlemen,

To my mind, there is no doubt that competition policy can - and must - play a very important role in the attainment of the sustainable development goals -- or SDGs.

These goals represent the most ambitious agenda in the history of human kind. We are trying to achieve what for many years we thought unachievable: the end of poverty, the end of hunger, among other things.

These are tremendous challenges that need the work of everyone: governments, private sector, civil society, international organizations. We all have a role to play.

But let me focus today on the role of the private sector, and for a very simple reason. You, competition agencies, hold a key to their performance. You have a key to their incentives and thus their behaviour.

Often, when discussing the role of the private sector in the SDGs, the discussion is narrowed down to Public-Private Partnerships. And I do believe in them. They are very important.

But to be very frank with you: this is not going to do the trick. This will not be enough to mobilize the additional USD 2.5 trillion per year needed to achieve the SDGs. This is a lot of money, equivalent to the GDP of France in 2015.

We need to give the right incentives to firms to deliver on what they are best at: investing on and producing goods and services for the population.

Today, nearly 1 billion people live in poverty

Today, nearly 800 million people live with the agonizing feeling of an empty stomach.

Today, nearly 4 billion people live disconnected from the digital world.

And you know what? Competition law and policy can do a lot for these people.

Let me give you some examples.

In South Africa, the dismantling of cartels in the wheat, maize, poultry and pharmaceuticals sectors led to price reductions to consumers. This, in turn increased the disposable income of the poor by 1.6 percent. Thanks to this, the national poverty rate decrease by 0.4 percentage points. In other words, more than 200 000 people were lifted out of poverty.

In Kenya, the elimination of controls on prices and private trade in maize not only increase its availability. It saved consumers USD 10 million per year.

And competition can also have positive impact on the provision of health services to the less favoured ones. In Mexico, the Competition Commission uncovered collusion in public biddings for some medicines for the Mexican Institute of Social Security -- the biggest health service provider in Latin America. As a result, the price for human insulin dropped by 68%. And the price of electrolytic solutions fell by 12%.

In Chile, the concerted actions of three pharmacies led to average price increases of 48% in over 200 drugs. And the issue goes beyond prices. As the Supreme Court in Chile put it, when delivering its verdict: "economic interest had been placed before human dignity and life and individual's health."

And if we go to infrastructure industries, the story is no different. Take communications or connectivity - a crucial area for development and that is defining the digital divide.

In Africa, compared to other regions, prices for mobile and internet services are high and affordability low. According to some studies, Sub-Saharan African countries have the highest final prices for mobile and fixed broadband services around the world. In more than 40

African countries, the entry of an additional operator would, according to some estimates, increase mobile subscriptions by 57 %.

And in Mexico, according to the OECD, weak market competition in telecoms costed the Mexican economy nearly US\$130 billion between 2005 and 2009. This was equivalent to nearly 2% of Mexico's annual GDP.

The actual implementation of competition law is crucial for economic efficiency, but also to narrow the digital divide.

If these are not clear examples of Competition Authorities fighting to achieve the SDGs, I do not know what else is.

And these are only a few examples, I am aware you know more of them.

The key points I want to make, are simple:

- **we need more and better competition policy to properly capture the full benefits of trade and investment;**
- **we need more and better competition policy to ensure better and fairer functioning markets at the service of citizens;**
- **and, because of this, we need more and better competition policy to achieve the SDGs.**

If the incentives to compete are absent, there is no way the private sector will help us deliver the Sustainable Development Goals.

Dear friends,

Finding the right incentives to create better and fairer markets is not easy task, but it is essential.

And I hope this meeting, as well as the first meeting 70 years ago, helps us to build the type of markets we need to deliver to the people and the planet.

Thank you very much.