Intergovernmental Group of Experts on Competition Law and Policy, Fifteenth Session

Geneva, 19-21 October 2016

Round Table on:

"Enforcement of competition policy in the food retail sector"

Contribution

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RECENT DEVELOPMENT OF INDONESIAN FOOD RETAIL INDUSTRY

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UNCTAD 15th Session of the Intergovernmental Group of Experts on Competition Law and Policy
Round table on: Enforcement of competition policy in the retail sector
OUTLINES

• Policy Update On Retail
• Competition Issue
• Conclusion
Food Market Design

- Domestic Production
- Import
- Supply
- Distribution Channel
- Market

Policy intervention

Market mechanism
POLICY UPDATE ON RETAIL INDUSTRY

Law Number 20/2008 and Government Regulation No.17/2013: Partnership/Subcontracting Supervision to protect SME from abuse of bargaining position of big retailer (modern Retailer)

Local Policy (PERDA) regarding obligation for Big Modern Retailer to have partnership with SME

Zoning Policy to create level of playing field (PP No.112 Year 2007)

More improvement is still possible, it need comprehensive evaluation to have progressive approach
ECONOMIC AND LEGAL BARRIER

Economic barrier
Listing fee and other similar fee have seriously impeding SME ability to grow their business and to be exposed to wider customer, most of it is provoked by the big retailer.

Solution: monitor the contract of subcontracting or partnership between SME and big retailer

Legal Barrier
Import has become a necessary to fulfill domestic demand, unfortunately import licenses is one of profound barrier and causing price increase in certain period of time. Import policy regarding strategic food commodity has been reviewed by KPPU and healthy competition principles are advocated to the relevant agency to ensure competitive nature of the market.
FAIR DEALING

• It is a priority in Indonesia especially in the context of food commodities which have significant impact to people’s welfare

• Size of food commodities market are tremendous and price fluctuation urges a greater need for policy intervention especially in food commodity which have serious anticompetitive indication.
Types of food product available to consumer: generic (mostly on traditional retailer), white label product and branded product (mostly on modern retailer)

Price difference between these types gives clear signal about quality and their respective attribute. Consumers are aware about this character and variety is something welcomed. Consumers have ability to switch between retailer as appropriate.

Consumer happy with a fair dealings because they can have competitive price and ample variety
CONCLUSION

• Policy intervention in food retail industry is meant to address price fluctuation and unjustified price increase to strategic food product.

• Competition in retailer has been improved and differentiation between retailer give benefit to consumer.

• Continous KPPU’s supervision on partnership/subcontracting will support empowerment of SME and hindering abuse of bargaining position from big modern retailer
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