



BUNDES**W**ETTBEWERBS**B**EHÖRDE

Seventh United Nations Review Conference

High Level Round Table on

“The Role of Competition Policy in Promoting Sustainable and Inclusive Growth and Development”

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Competition – Efficiencies – Growth I



Competition – Efficiencies – Growth II

- As we saw from the chart: Competition policy constitutes only one element in a set of factors conducive to a competitive environment.
- Regulatory reform, openness to international trade, the strength of the rule of law, efficient governance structures, transparent procedures etc. have also an important role to play.
- Getting these issues right makes it easier for the competition authority to pursue its proper tasks efficiently.

Competition – Efficiencies – Growth III

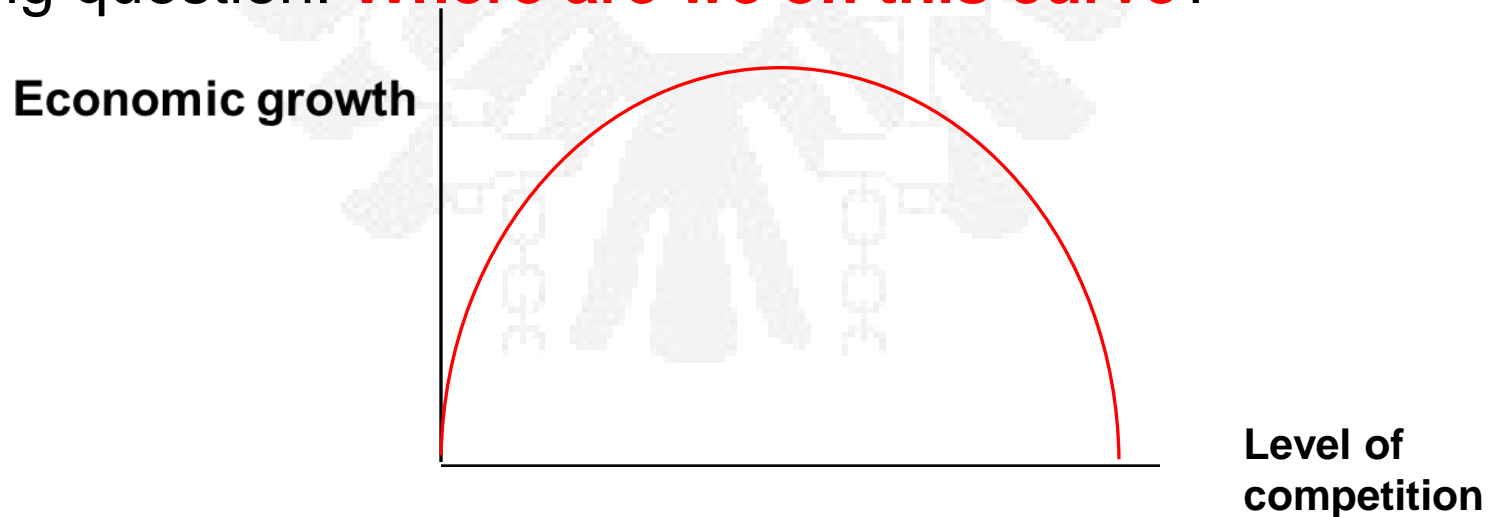
- The positive impact of competition-enhancing policies cannot be measured primarily by static efficiency gains but has to embrace a dynamic view.
- Competition has long-lasting effects on economic performance by
 - affecting economic actors' incentive structure
 - encouraging innovative activities
 - selecting more efficient from less efficient ones.

Competition – Efficiencies – Growth IV

- The famous Austrian economist Joseph A. Schumpeter had - early in the last century – conjectured, that large firms in concentrated markets have an advantage in innovation.
- However, contrary to this view empiric evidence shows little support for a positive relationship between market concentration and innovation.
- A large number of empirical studies confirm a robust and positive link between product market competition and productivity growth.

Competition – Efficiencies – Growth V

- But let's be cautious: The relationship between competition and growth is not a linear one in the sense that ever more competition leads to ever more growth.
- Most economic research agrees that growth and competition correlate with each other in sort of a inversely shaped U-curve. (Prof. Philippe Aghion (MIT))
- Big question: **Where are we on this curve?**



Competition and other policy areas I

Is there a potential for conflict?

- In my view there is generally a positive relationship between other policy goals (like social, environmental targets) and competition if we do not restrict ourselves to looking at individual markets or individual interest group but keep focused on the society as a whole.
- The main reason is that competition and the use of market instruments could make the implementation of other policy goals more efficiently.

Competition and other policy areas II

Does the lack of competition hurt mostly the poor?

Infringements to competition cost us dear:

- Prof. John M. Connor (Purdue University), a leading expert in cartels, recently estimated that cartel overcharges in Europe amounted to more than **\$ 1,6 trillion** for the period 1990 to 2014.
- According to the economist illegal cartels have cost each EU household the equivalent of three-and-half years of bread, rice and cereals.
- The monetary penalties imposed since 1990 reached “only” **\$ 123 billions**.

(Source: Newsweek, April 13, 2015)

Competition and other policy areas III

How to tackle potential conflicts?

- But there might evolve the perception of conflict due to the course of events, because **we realize first the pain and then the gain**:
 - More competition may affect individuals immediately.
 - The positive effects are structural and need some time to trickle through.
- How to avoid or solve conflicts between Competition and other policy areas:
 - Independent competition authority solely enforcing competition issues.
 - Keep close communication with other policy stakeholders.

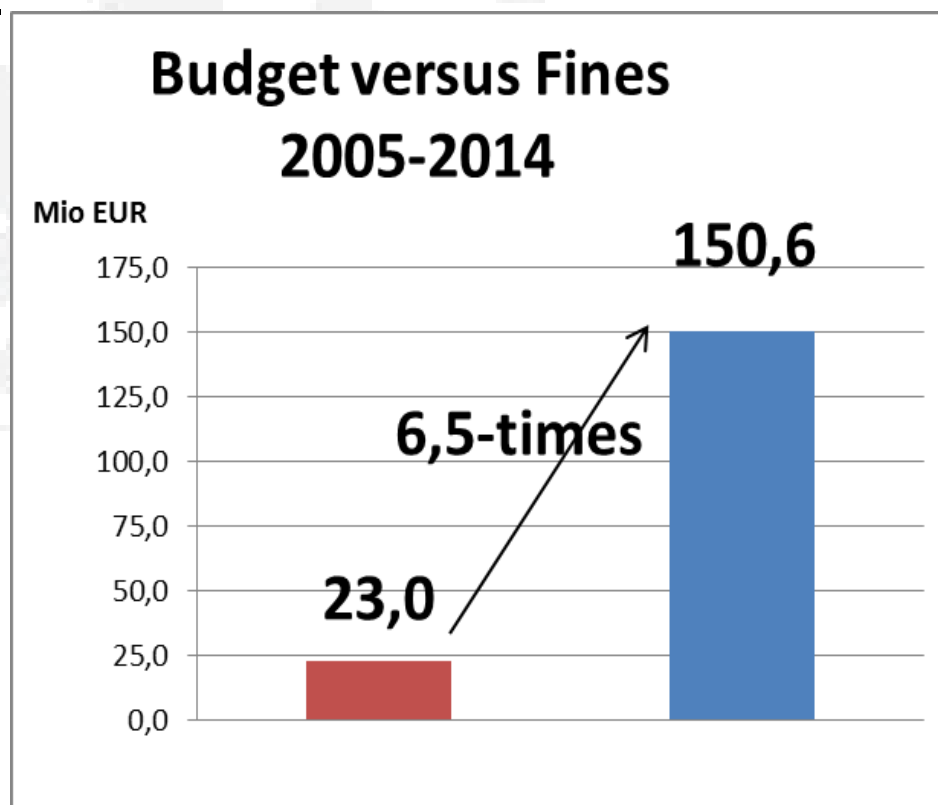
How can competition policy contribute to growth ?

1. By establishing a **convincing enforcement record**.

This may best be achieved by concentrating scarce resources on the most pressing issues.

Usually cartels (and other prohibited contractual restraints) produce the biggest harm to growth and consumers.

I agree fully with the Secretariat Note concerning the importance of setting priorities!



How can competition policy contribute to growth ?

2. By **raising public awareness** for the significance of competition and its proper enforcement.

Thus competition advocacy provides an indispensable tool.

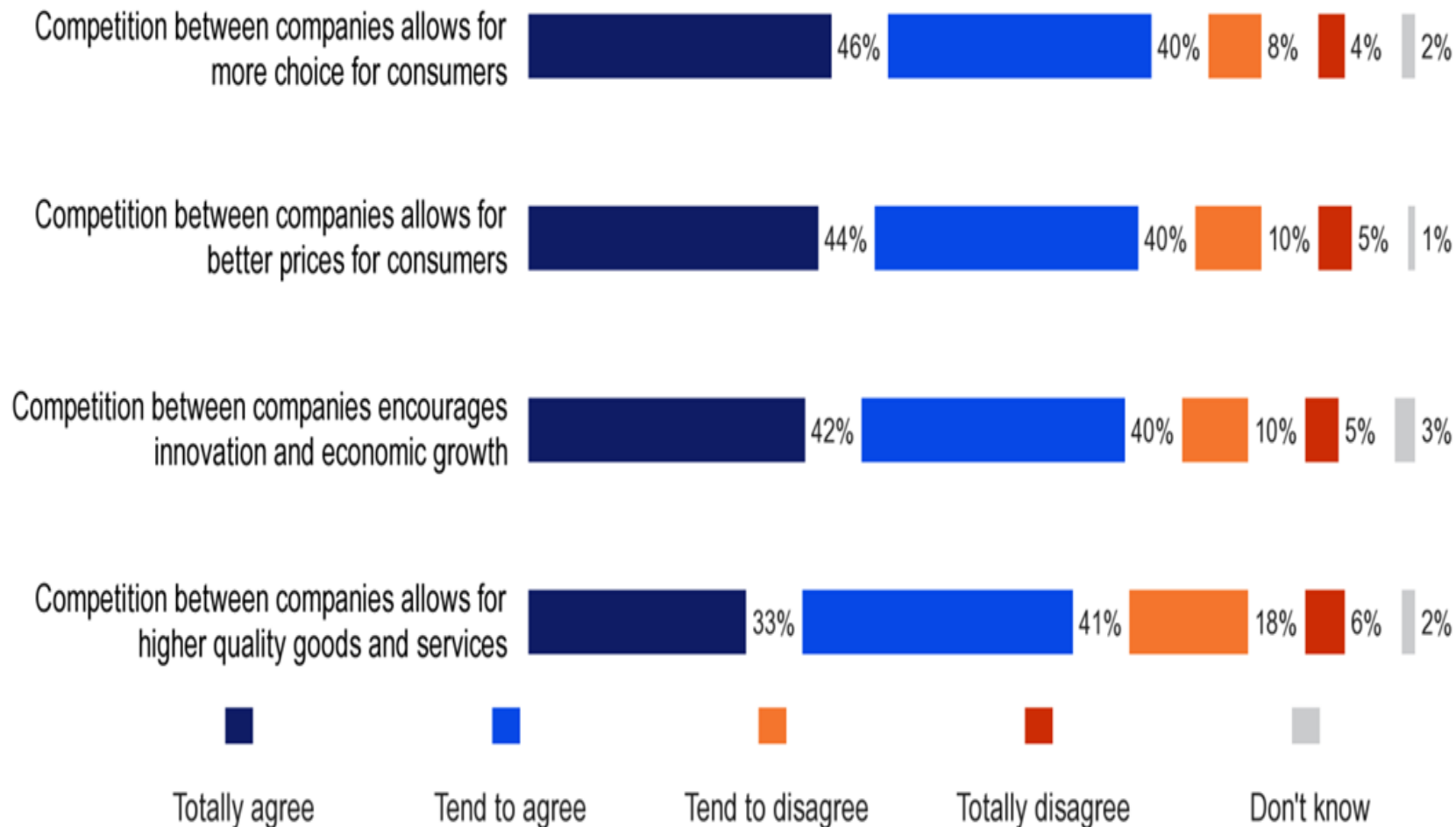
It should address (with different instruments)

- the competition community
- consumers/broad public
- enterprises
- government/politicians



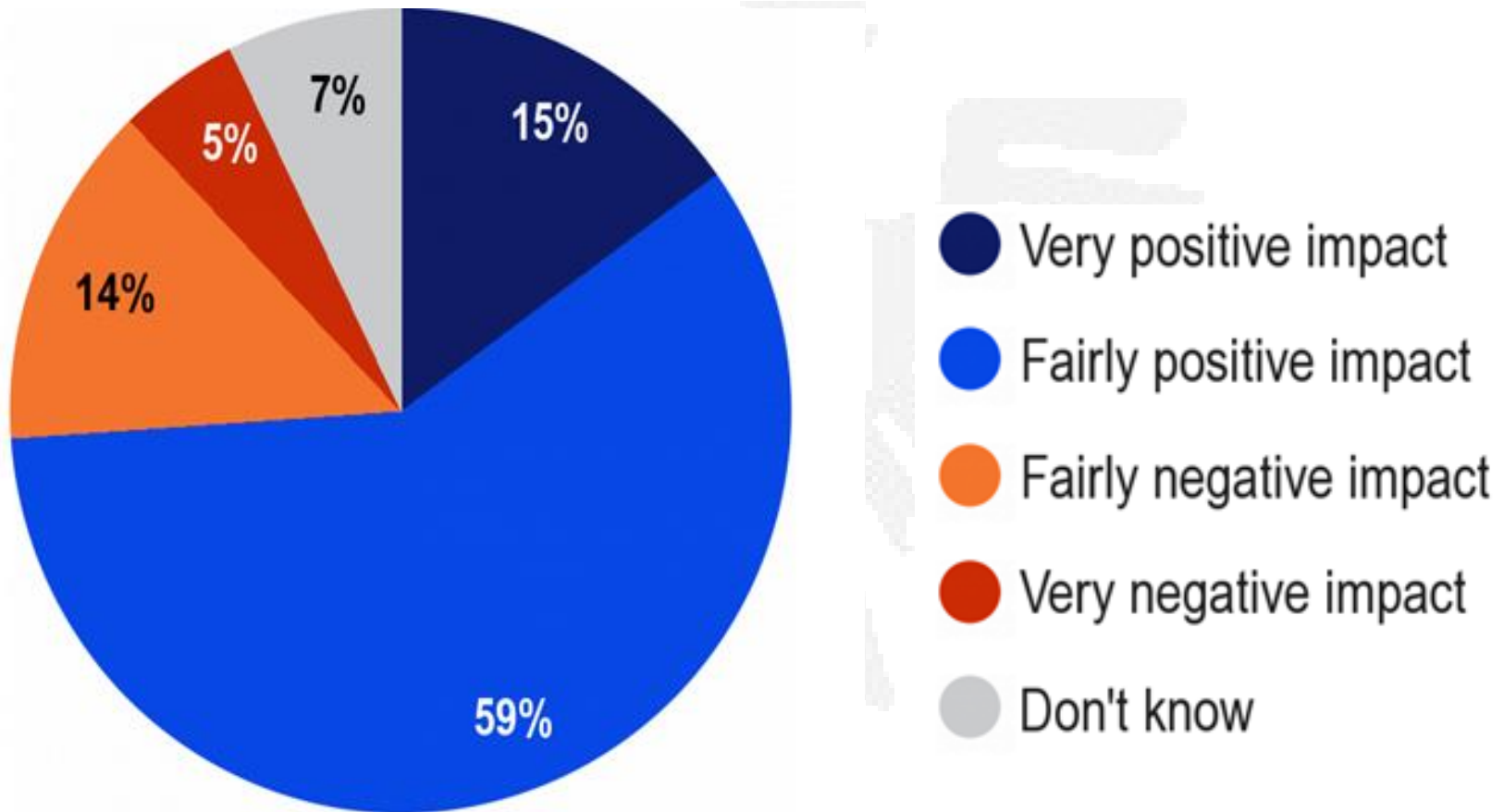
Flash Eurobarometer

Q1. For each of the following statements, please tell me whether you totally agree, tend to agree, tend to disagree or totally disagree:



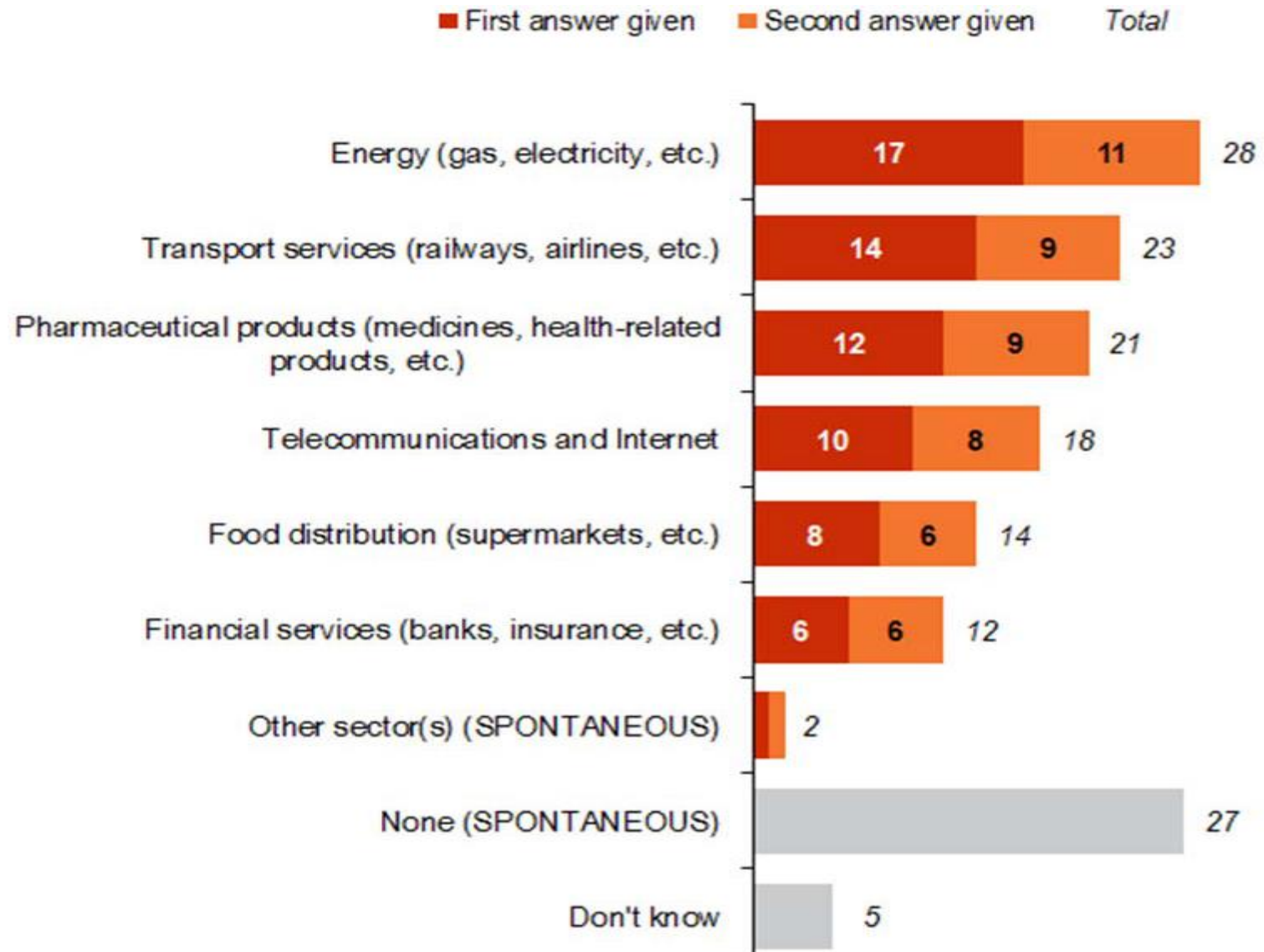
Favourable view of competition policy

What impact does effective competition have on you as a consumer?



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Have you experienced a lack of competition resulting in higher prices, less choice, less quality?



International cooperation is paramount I

- Without neglecting the specific national features it seems to be obvious, that competition enforcers face similar challenges in most of the jurisdictions.
- The exchange of knowledge and information is therefore a prerequisite for successful enforcement.
- I would like to emphasize, that an effective cooperation with other Competition Authorities must end in a **C2C Co-operation**, a case to case cooperation.
- A common approach, a common target, commitment and convergence are the foundation for such cooperation.
- A C2C Cooperation should start on an international playing field but has to end in the day-to-day business of each National Competition Authority.

International cooperation is paramount II

- UNCTAD is undoubtedly best placed to integrate competition issues into the framework of development policies.
- The cooperation with UNCTAD - well established for several years - is thus one of the cornerstones of our outreach activities.
- We appreciate very much that UNCTAD has embraced such a strong role in competition matters over the last years.
- Therefore UNCTAD should continue to strengthen the international cooperation in competition matters.

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Thank you very much for
your attention!

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