

Promoting Competition for Sustainable and Inclusive Development in Bangladesh

Keynote presentation for the seminar on
The Role of Competition Commission in Sustainable and Inclusive Development

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Background

- Competitive markets are a major force for driving growth, productivity and promoting consumers' welfare
- Market economy – enough for generating desired outcomes?



Growth and inclusive development

Good governance, macroeconomic stability, and social policies may not be enough to improve the welfare of the poor.

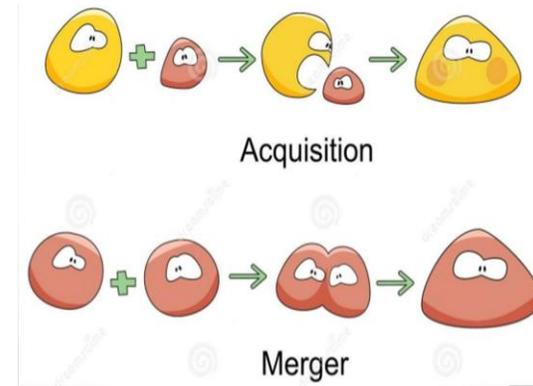
Ensuring a healthy competitive environment is now one of the most recommended strategies for growth and inclusive development.

Nobel laureate economist Joseph Stiglitz, observes, “strong competition policy is not just a luxury to be enjoyed by rich countries, but **a real necessity** for those striving to create democratic market economies”.

Competition policy

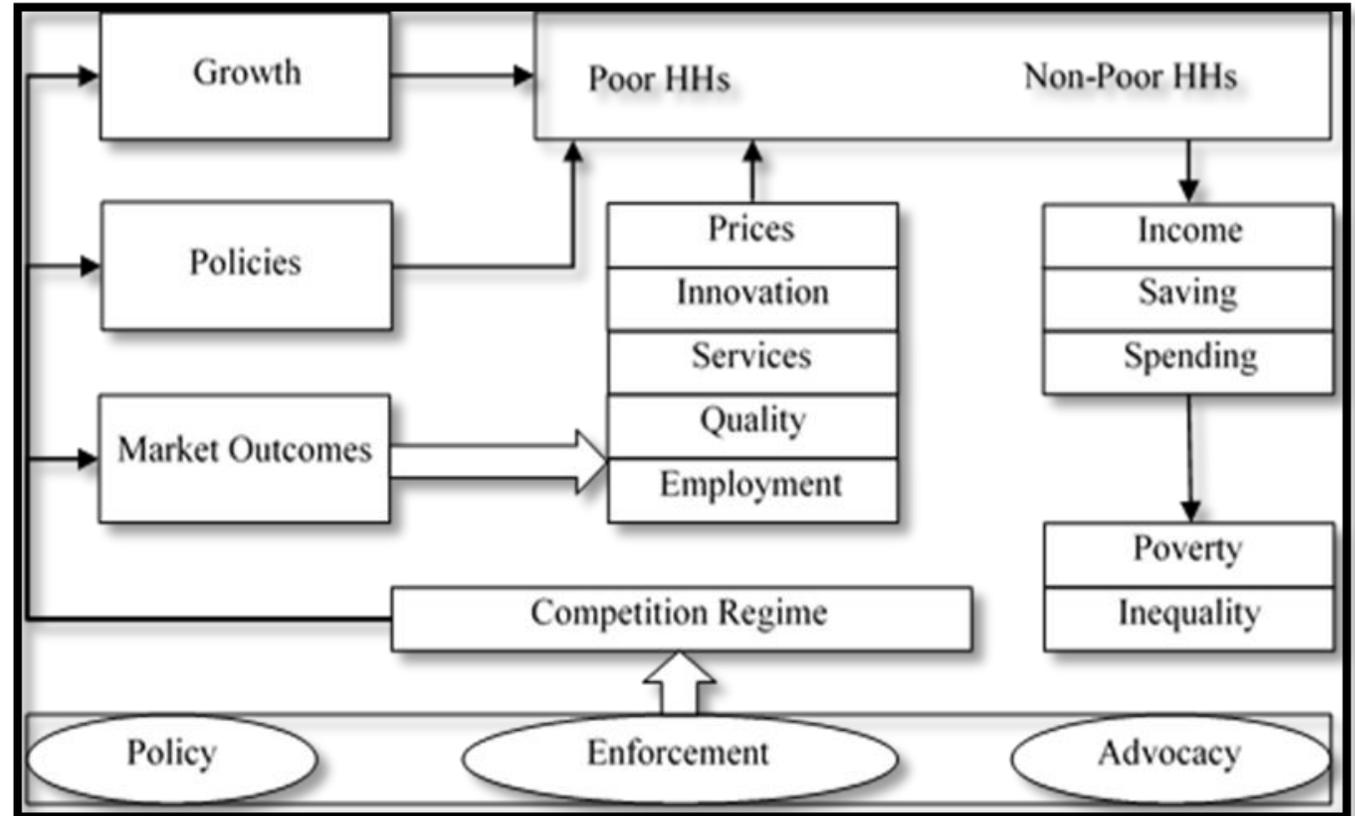
To preserve and promote competition:

- Tackling cartels or other collusive practices
- Preventing mergers that could result in significant lessening of competition
- Dealing with adverse effects of dominant market powers



Competition policy and inclusive development

Competition policy act as a direct and indirect contributor to growth and inclusive development



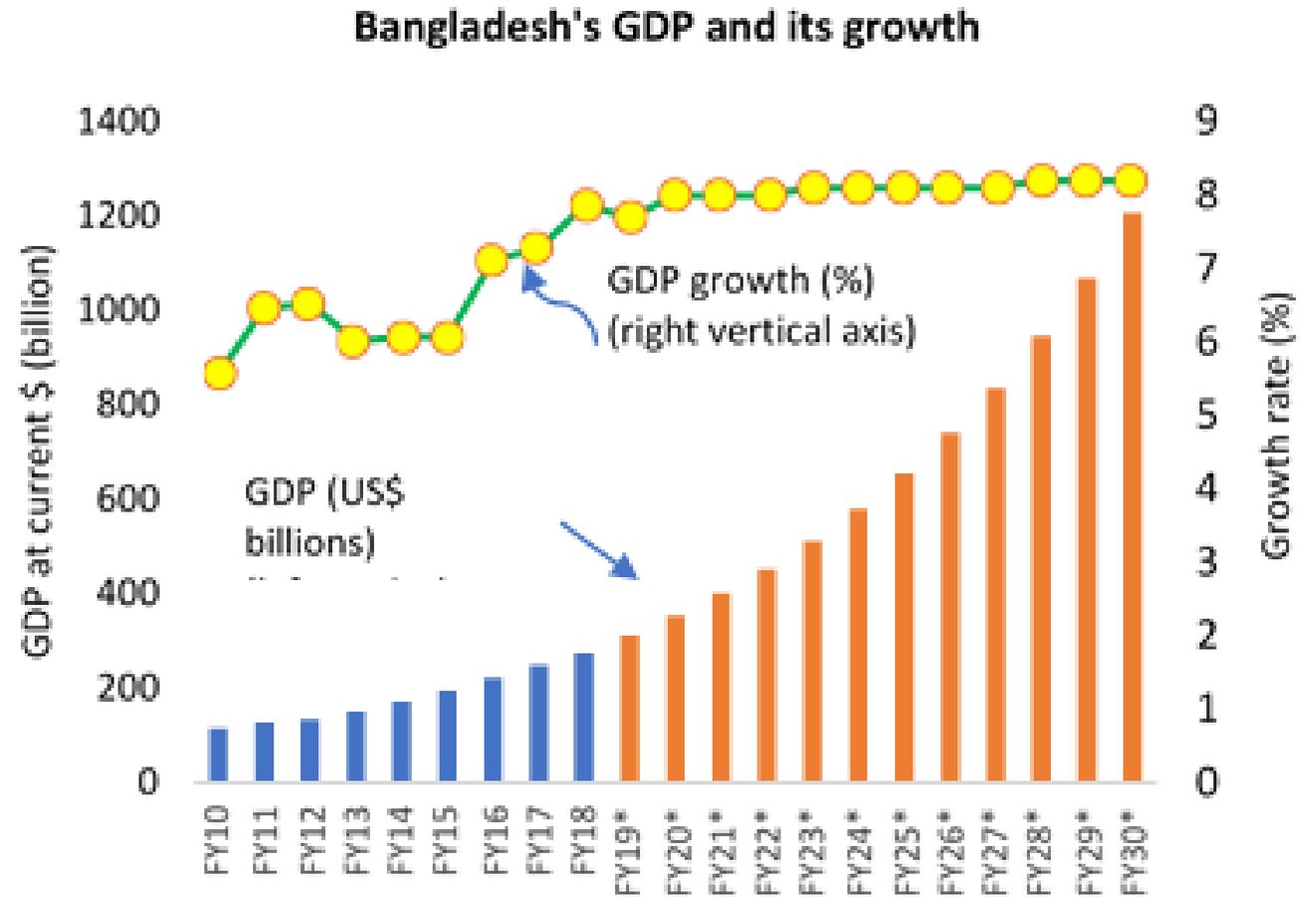
Bangladesh development transition

- Bangladesh has emerged as a “development surprise”.
- A mere \$35 billion economy of the mid-1990s has grown to a sizeable \$275 billion today.
- Per capita income has risen from \$320 to \$1,733
- Poverty fell from more than 50% to 24.3%



- Bangladesh needs to boost the growth dynamism
- More efforts needed in ensuring inclusive development
- But, the development transition can be quite challenging

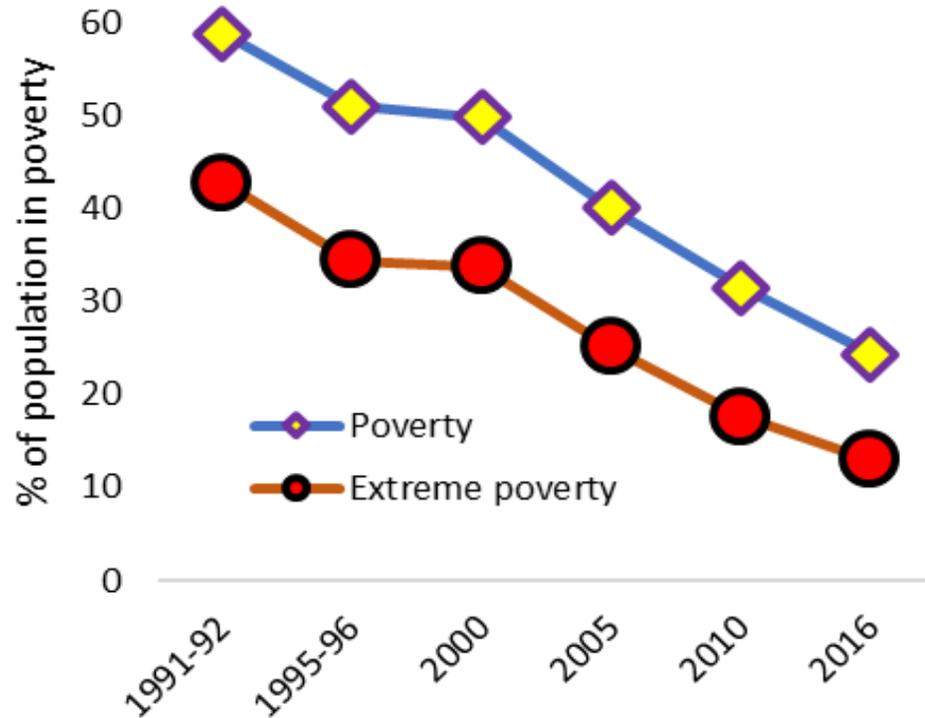
Need for a strengthened competition regime



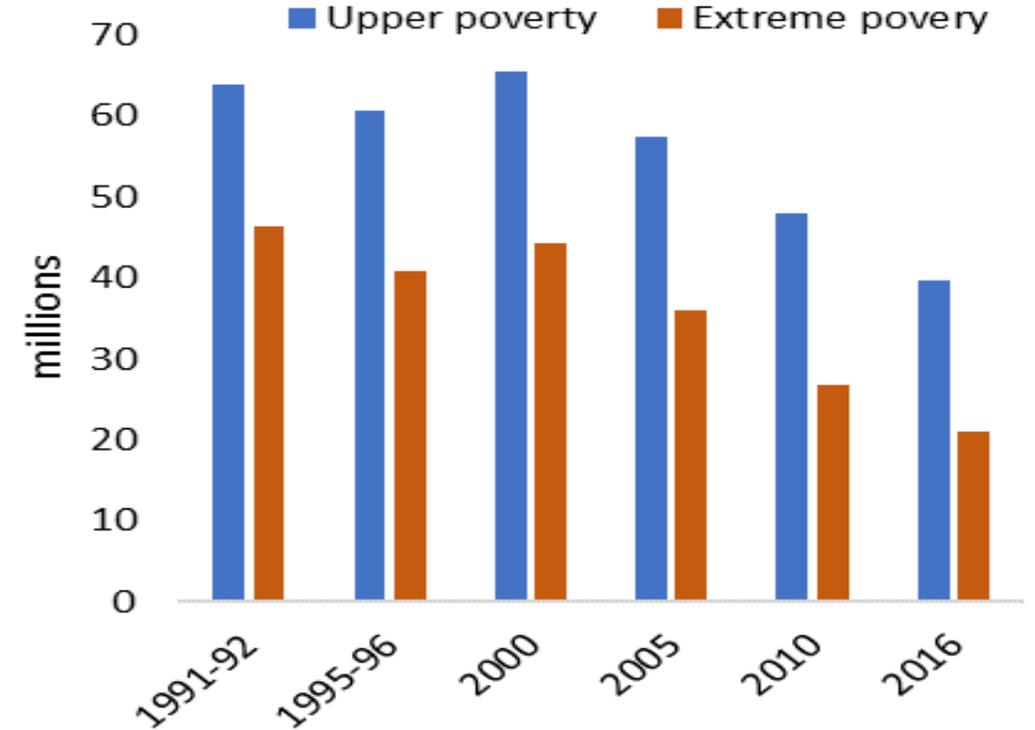
Note: * indicates projections.

Source: Author's presentation using data from BBS and the Bangladesh Delta Plan 2100

Bangladesh - poverty reduction

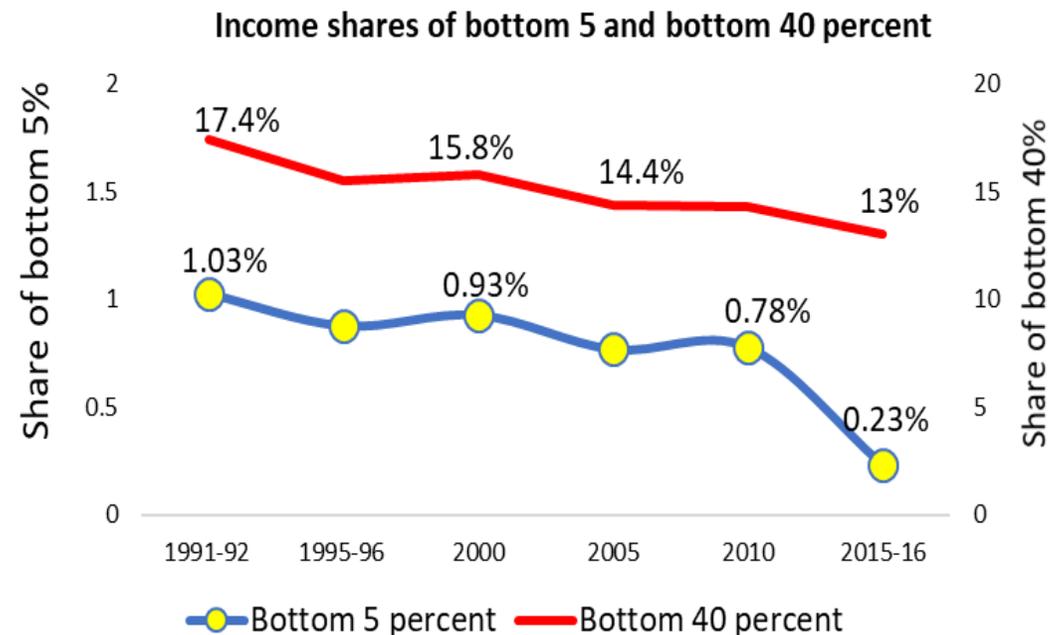


4 million people are still poor



Despite impressive progress, still 40 million people are in poverty.

Ensuring inclusive development?



- Rising inequality is becoming a major problem. Income share of bottom 5% population is just 0.23%.
- As a result, the impact of growth on poverty is falling.
- Earlier, 1% GDP growth would mean 1.5% fall in extreme poverty. But, now it is just 0.8%.
- If the growth had been more equally distributed, poverty incidence during 2010-16 would have fallen by an additional percentage point.

Is there a role for competition policy?



Bangladeshi consumers – pay 70% above global prices.



Resultant excessive costs higher than \$14 billion



Lower income groups are prone to anti-competitive behaviours



Competition policy should be put to more proactive use.



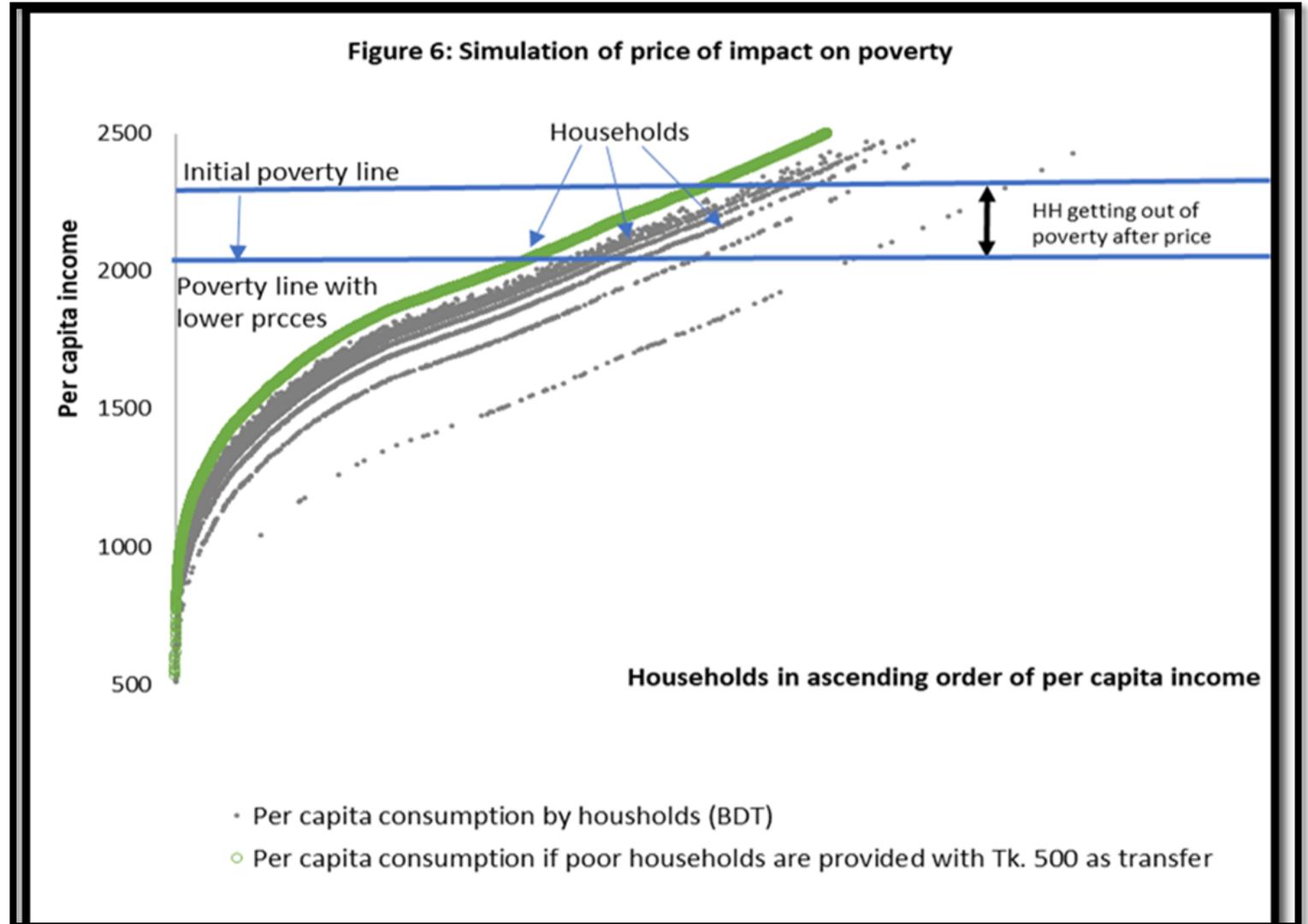
Tackling market inefficiencies, can help poor and vulnerable people.



In the long run, competition to boost overall growth, benefiting lower income households further.

Competition policy enforcement can complement poverty reduction measures.

- A marginal rise in government transfers to poor households along with a 10% fall in prices of goods consumed by the poor, could lead to lifting of 16.5 million out of poverty.
- That could imply poverty incidence declining by 10 percentage points.



International evidence

Cross-country data and analysis: the impact of local competition on per capita income lies in the range 2 – 12%.

In India, CP elements in product markets are found to have a significant impact on labour and total factor productivity

OECD countries – positive impact on TFP growth for various industries

Australia - Annual gains from competition reforms estimated at 5.5% of GDP and consumer welfare gains by AU\$9bn

Croatia - eliminating anticompetitive regulation in energy, telecommunications, and transport would be associated with an increase in GDP per capita by 1.35–2.77 percent

International evidence...

South Africa: Prices of health care products declined by 27% after an antitrust intervention by the authorities

Mexico: costs due to weak competition in the telecommunication 1.8% percent of yearly GDP

In Mexico, net consumer welfare loss for the poorest being 20% higher than that for the richest groups

World Bank and OECD estimates: harms caused by cartels that are already detected in developing countries – affected sales to GDP is close to 6.5%.

If cartels are not detected, the total damages could be at least **four times** larger.

Cartels prosecuted in developing countries

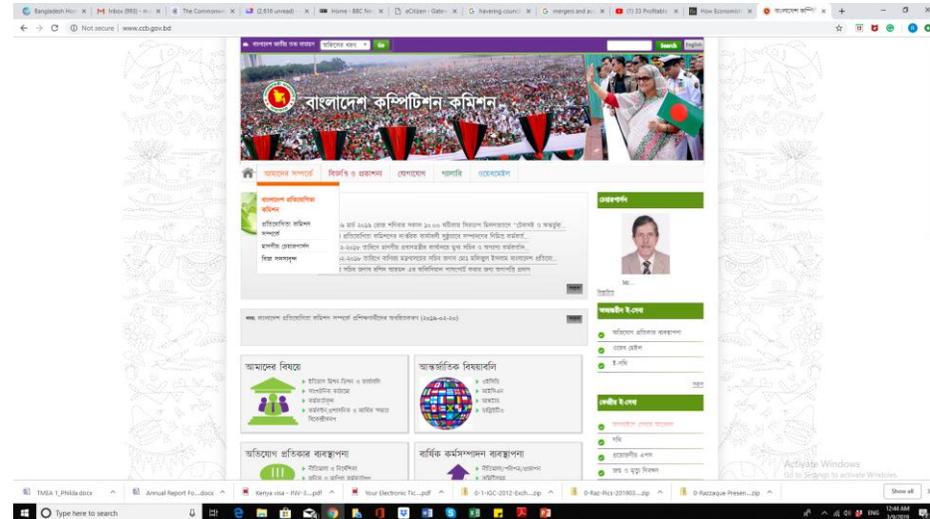
Major “hard core” cartels prosecuted in developing countries 1995-2013 (in World Bank –OECD, 2017)

Bricks	Security guard services	Freight forwarding services
Cable tv services	Transportation	Sugar
Cargo transportation	Steel	Internet service
Cement	Bank interest rates	Sand and construction materials
Energy	Cooking oil	Soft drinks
Health care	Plastic pipes	Insurance
Generic drugs	Salt	Poultry

What lessons for Bangladesh?

Salient features of the current competition policy regime in Bangladesh

- The Competition Act 2012 (Act No. XXIII of 2012), establishing the Competition Commission
- Duties and functions of the Commission articulated



Section 15: Anti-competition agreements

- **Direct or indirect collusions** in production, supply, distribution, storage, acquisition or control of goods or provision of services, adversely affecting competition.
- These include, **price-fixing, bid-rigging, market share** agreements, **tie-in-sale** arrangements, exclusive supply and distribution agreements, etc.
- Exceptions – protecting intellectual property rights and protecting the right to export goods

Section 16: Abuse of dominant positions

Types of abuse of dominant positions:

- Unfair or discriminatory conditions in purchase or sale of goods and services
- Limiting or restricting production or technical/scientific development relating to the goods and services
- Actions to restrict market access by others
- Charging excessive prices over intellectual property rights, price discrimination, predatory pricing to deter market entry or eliminate competition.

Section 21: Prohibition of combinations

section 21 deals with combinations that can cause adverse effect on competition.

These combinations include mergers, acquisitions and consolidation schemes.

The Commission may inquire or investigate into combinations and may approve or disapprove any attempts

Other features

Section 22: Inquiry regarding acts committed outside Bangladesh

The Act allows the Commission to inquire into anti-competitive practices based on any complaint or on its own initiative

the Act recognises of the need for interactions with other regulatory bodies and specifying the authority of the Commission

The Act provides guidelines for how complaints, inquiries, and punitive actions, review and appeal procedures will be conducted.

Way forward for Bangladesh

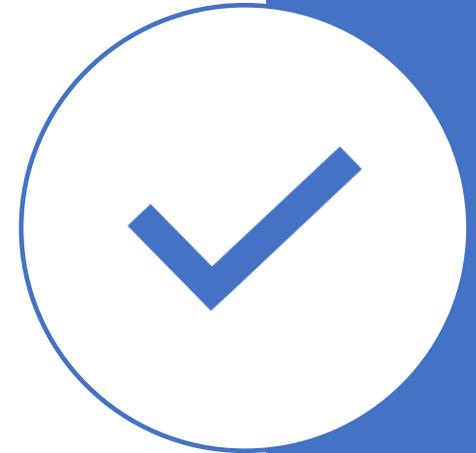
The Commission's work cuts across various policy arenas. How the outcomes arising from these existing policies interact with the overall ambition of the competition policy regime is something that deserves serious consideration

International experience suggests convergence in the scope, coverage and enforcement of competition laws and policies worldwide.

The existing Competition Act provides an important basis for developing a proactive competition regime in Bangladesh.

Way Forward

- **The tasks for Competition authorities are quite involved**
 - Given certain national objectives
 - Need for specialised knowledge
- **Developing a modern and proactive competition policy regime should be seen as work-in-progress through sustained capacity building**
 - a one-size-fits-all approach is inappropriate
 - a staged or sequential approach is the most practical option
 - consider the national priority of inclusive development
- **The sequential approach however does not imply that the initial focus should only be in traditional areas.**



Way Forward

The scope of the work of the Commission is enormous as the severity of the problem of anti-competitive practices has gone largely unnoticed in Bangladesh

The need for institutional capacity building should be given priority.

The Commission can play a vital role by generating demands for research, advocacy material and other informed inputs.

The Commission must recognize political economy factors.

Mobilise support for the competition regime through advocacy.

Competition advocacy is need to sensitive of the govt on the whole.

Thank you.