



Competition advocacy in Asia: Spurring grass roots entrepreneurship

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Outline

1. Unique challenges of less mature markets
2. Implications for **enhanced competition advocacy**
 - a. **Add** pro-competition rules & institutions
 - b. **Remove** anti-competition rules & procedures
 - c. **Interface** with network industry regulators
 - d. **Promote** “culture of competition”
3. Governance and capacity building

1. Challenges of less mature markets

- **Inadequacy of business infrastructure**
 - **physical** (*communications, transport-logistics, fin.services, ind.real estate, electricity/water, profess.bus.services*): low level and restricted access
 - **institutional** (*property rights, contracts & dispute resolution*): lack of transparency & accountability, legacy of intervention
- ⇒ rent-seeking, close ties b/w govt. & favoured businesses
- ⇒ uneven playing field (public restraints)
- **Special problems with thin/concentrated markets**
- **Frail judiciary, weak supporting infrastructure**
- **Insufficiently educated & organised civil society**

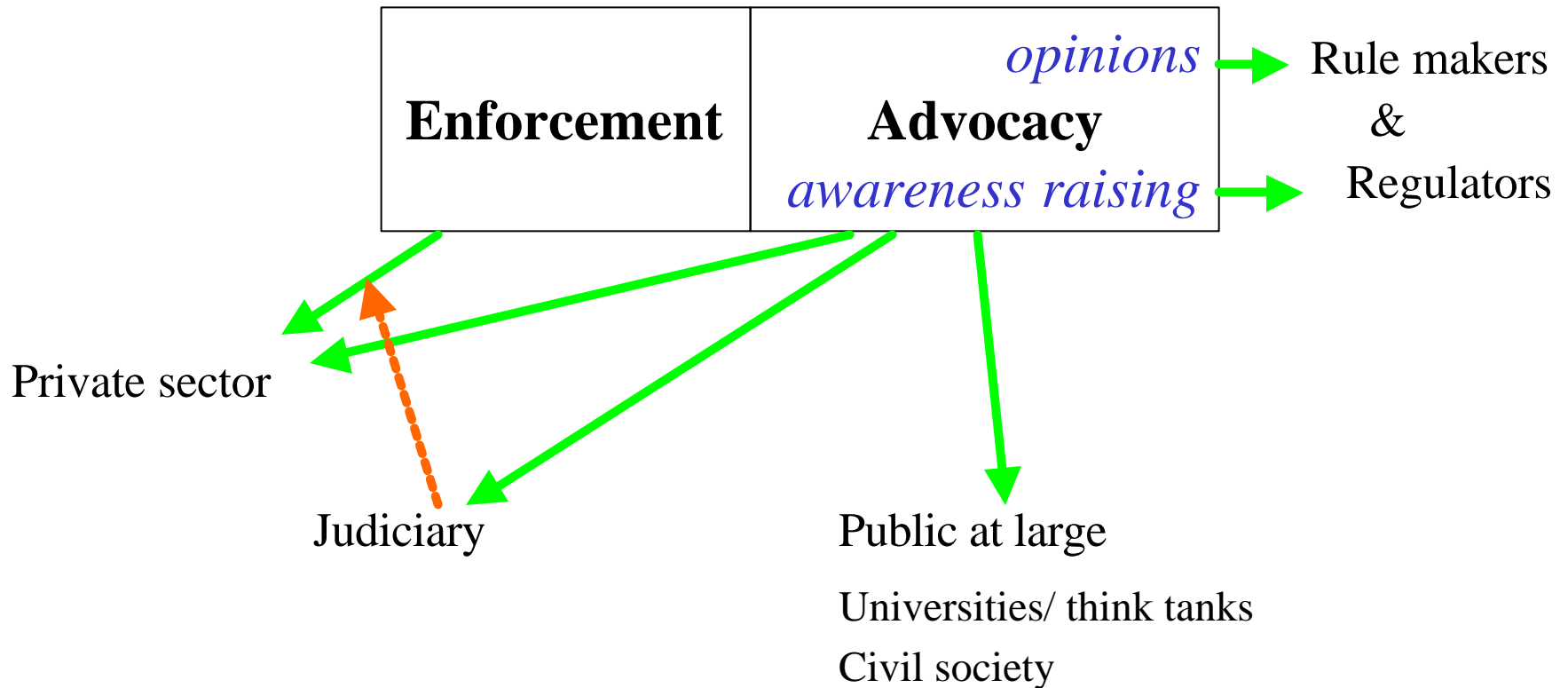
1a. Public restraints to competition

- Trade-related restraints
 - international trade (differential tariffs, QRs, AD duties)
 - domestic trade (govt.trading companies, distribution rules)
- Investment-related restraints
 - sectoral ownership restrictions, local content rules
- Entry-related restraints
 - administrative procedures to start a business
 - ease of access to capital & land
 - ease of entry and exit in labour market
 - ease of closing a business
- Operating-related restraints
 - price controls
 - product standards

 public restraints encourage incumbents to invest in lobbying government rather than in being responsive to consumers

2. Competition advocacy

“competition-promoting activities through non-enforcement means”



2a. Enhanced competition advocacy: Add pro-competition rules & institutions

- Address **missing or poorly-functioning rules & institutions** to ensure a more pro-competition environment
 - **recommendations or power to introduce new rules or amend existing rules** to promote competition
 - movable assets registry
 - bankruptcy law
 - regulatory impact assessment process
 - **oversight responsibility** to ensure that relevant institutions perform their role
 - pre-privatisation opinions
 - streamlining of administrative barriers to entry & exit
 - public procurement
 - speedy dispute resolution mechanisms

2b. Enhanced competition advocacy: Remove anti-competition rules & procedures

- Eliminate/modify **rules & procedures that suppress rivalry**
 - **opinions/public suasion** against anti-competitive acts by other governmental bodies
 - interface with AD regulators
 - interface with standard-setting bodies
 - **revision/modification of existing laws** to promote competition
 - exclusionary rules creating barriers to entry in different markets
 - deregulation of anti-competitive controls on prices/tariffs
 - reform of corporate governance

2b. Enhanced competition advocacy ex.: Bangladesh rural entrepreneurship access policies

- Systematic studies on impediments to competition
 - Rural entrepreneurs lack access to basic business services
 - 31% have access to electricity
 - 1.8% own generators
 - 1.5% have phone line
 - Access to markets & services sign.correlates of prob. of entry
 - marginal effect of access to phone large (0.15) compared with electricity (0.08)
- Carefully-selected “quick win” outputs aiming at change
 - Integration b/w land line & cell limited (more than 1/2 of cell subscribers unable to connect to fixed network)
 - Priority for improving tele-coverage: integration of networks

2c. Enhanced competition advocacy: Interface w/ network industry regulators

- Play pro-active role as **watchdog for network utilities:**
keep competition issues with competition authority
(leave technical/pricing regulation to specialized agencies)
 - **responsible for** initial setting of industry structure & restraints on companies' operations
 - **veto** power over determination of regulatory boundaries
 - power to **review** whether decisions in public interest

2d. Enhanced competition advocacy: Promote “culture of competition”

- All activities aimed at **raising awareness** about benefits of competition to society as a whole & about role of competition policy to promote & protect the competitive process
- Undertake broad **capacity building**: education, publications, media
 - training of competition authority officials
 - training of judges and lawyers
 - training of government officials (rule makers & regulators)
 - outreach to universities/think tanks, consumer & business associations, broader civil society
- Create & strengthen “**natural allies**”
 - education & constituency-building efforts directed at pro-competition interest groups: consumers, grass roots entrepreneurs, exporters...

3. Governance and capacity building

Challenge: For competition authorities to acquire the status & ability to effectively get rest of government at central & local levels to adopt more pro-competition policies

- Improve **institutional structure** to achieve **independence** (predictability of enforcement) and **influence** (with policymakers)
 - Strengthen alternative systems of monitoring & oversight
 - Develop institutional forms that limit regulatory capture
 - Give increased information & voice to “natural competition allies”:
forge partnerships b/w local govt (decentralization), NGOs & private sector
- Assist in development and implementation of **capacity building programs**
 - Institutional capacity building
 - Training and skills enhancement
 - Public advocacy & outreach programs