

# Competition Policy: In Support of Inclusive Growth



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# Overview

- Skewed wealth, skewed growth
- Situations, stories and anecdotes
- What's wrong with lack/absence of competition?
- What must Competition Policy do?
- Toward a National Competition Policy and Competition Policy Law

# Top Philippine Billionaires: Skewed Wealth, Skewed Growth

**INQ**  
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- Richest 1% account for 60% of total GDP
- Income of top 150,000 families = income of bottom 6 million



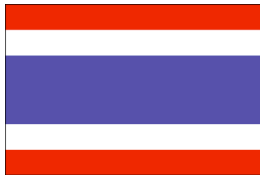
# Wealth Increase of 40 Richest vs. Absolute Increase in GDP (2011)

Forbes  
Asia



**Philippines:**

**\$13 billion vs. \$17 billion (76%)**



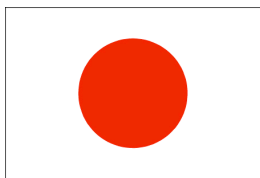
**Thailand:**

**\$9 billion vs. \$26.7 billion (33.7%)**



**Malaysia:**

**\$2.3 billion vs. \$41 billion (5.6%)**



**Japan:**

**\$11 billion vs. \$381 billion (2.8%)**

ADB 2007

# Why did we grow more slowly than our neighbors?

- **Tight Fiscal Situation:** Poor revenue performance
- **Inadequate Infrastructure:** Especially in power, transport; Mindanao
- **Weak Investment:** Due mainly to governance concerns
- **Small & Narrow Industrial Base:** Concentrated benefits due to economy's **oligarchic structure**, market failures



# Situations, Stories & Anecdotes

- Non-transparent airline pricing
- Dolores vegetable farmers
- Interlinked farm credit
- Six-year wait for a phone line
- Malls and credit cards
- Local cement monopolies
- Sari-sari stores and multinationals
- Unlevel playing field for SMEs

# Agenda for Inclusive Growth



- **SME Promotion & Development:** Level the playing field for LEs & SMEs
- **Competition Policy:** Anti-trust law; curbs on unfair trade practices
- **Asset Reform:** Toward equitable opportunities (CARP, Fisheries Code, IPRA, UDHA)
- **Push Inclusive Growth Drivers:** Agriculture, Tourism, Manufacturing

# What's wrong with lack/absence of competition?

- Higher prices
  - Restricted supplies
  - Limited choice
  - Persistence of excessive profits (economic rent)
    - Reduced welfare
    - Resource misallocation
- = Economic Inefficiency
- Reduced Equity



## What must competition policy do?

- Make sure that no entity would have market power it can abuse, i.e., make the market as contestable as possible
- Disallow naked restraints of trade and discipline firms when such acts are committed

# Competition Policy: Coverage

- Monopolies & cartels
- Mergers & acquisitions
- Restrictive & anticompetitive practices
- State entry barriers (gov't monopolies)
- Regulatory conflict of interest
- Consumer protection (including vs. misleading advertising)
- Leveling the playing field

## Government Reforms Toward Greater Competition Since 1990s

- Trade reforms that reduced the number of regulated items (QRs), brought down tariff rates
- Abolition of certain regulatory bodies
- Privatization
- Opening of the telecommunications industry
- Deregulation in the shipping and airline industries

# Government Reforms Toward Greater Competition Since 1990s

- Oil deregulation
- Easing entry of foreign banks
- Easing foreign equity limits, and less restrictive negative list of activities where foreign equity is limited
- Retail trade liberalization law

## Toward a National Competition Policy and Competition Policy Law

- Competition Policy bills were filed in the 15<sup>th</sup> Congress (and before), but House & Senate versions differed on nature of competition authority
- Multi-sectoral effort spearheaded by PCCI favors independent competition authority
- OFC-DOJ has recently indicated support for the independent body, paving the way for a unified bill
- SB No. 11 - An Act Creating the Fair Trade Commission
- TRADE assisting in formulation of the NCP

A strong competition policy would promote a more open environment for investment, innovation, and appropriate pricing...

Underpinning inclusive growth must be a bedrock of sound institutions that promote transparency, accountability, the rule of law, and effective and impartial performance of the regulatory function of government.

Philippine Development Plan 2011-2016