

# **GLOBAL FORUM ON COMPETITION**

## **Paris, 17 February 2005**

**Opening remarks of  
Mr. Richard Hecklinger  
Deputy Secretary General  
Organisation for Economic Co-operation and Development**

Good morning, ladies and gentlemen, and welcome to the fifth meeting of the OECD Global Forum on Competition. I would like to extend a special welcome to Neelie Kroes, Commissioner for Competition Policy in the European Commission. And welcome to Frederic Jenny, our Chairman for this session and Chair of the OECD Competition Committee. I am delighted to see so many of you here. I am told that we have some 80 delegations here today, representing 70 countries and economies, as well as international and regional organisations, the business and labour communities, consumer groups, civil society organisations and the donor community. Over 290 participants in total, which I believe is a new record. This participation reflects the importance we place on competition both for good economic performance and for providing our citizens with high quality reasonably priced goods and services. In five years this Forum has become recognised as a place where competition leaders can share experience and take home good ideas. We are impressed by the many excellent written contributions that you have made to this meeting. We appreciate very much the financial support to the meeting provided by Chinese Taipei.

This year, the Global Forum will focus upon the relationship between competition and regulation. This theme reflects your own preferences— as you expressed them through the evaluation of last year's Forum, and a questionnaire sent with the invitation to this meeting.

Regulation is essential for well-functioning market economies. Over recent decades, policymakers in OECD and other countries became concerned that regulation was too intrusive, harming resource allocation and production efficiency. “Deregulation” became the primary policy objective for some time. This was necessary, and it still is necessary to reduce or eliminate many regulations. However, now the focus is shifting towards better regulation, for in some circumstances, effective competition may require more – not fewer – rules.

The questions on the agenda of this meeting include:

- How to introduce competition into sectors where it is absent, and what kind of regulation will you need?
- What should be the interaction between bodies responsible for regulation and those responsible for competition law enforcement? How can they support each other effectively?
- What are the opportunities and limits to competition law enforcement in regulated sectors?

Getting good answers to these questions and putting them into practice is crucial for improving economic performance. Regulations that increase the role of competitive forces will increase GDP per capita. More competition will:

- increase productivity,
- improve allocation of resources,
- promote innovation and diffusion of technology, and
- increase employment.

The experience of OECD countries demonstrates this relationship between sound competition law and policy and healthy economic growth. Let me take an example from the 2004 OECD economic survey of Australia that was released just two weeks ago. Australia's economic policies have become a model for countries seeking to improve their economic performance. In brief, the OECD survey said

The tenacity and thoroughness of deep structural reform – as they were proposed, discussed, legislated, implemented and followed-up in virtually all markets -- created a deep-seated “competition culture”. These reforms have conferred an enviable degree of flexibility on the Australian economy, resulting in a prolonged period of good economic performance. Today, the short-term outlook for Australia is for continuing strong growth of productivity and output, low inflation and budget surpluses accompanied by tax cuts.

Sounds good. And as we can see in our briefings, the Australian Productivity Commission estimates that Australia's strong competition policy has resulted in an increase in the Australian householder's average annual income of approximately 7,000 Australian dollars. But it is not just Australia which has benefited from strong competition policy. Those of you who attended last year's meeting of the Global Forum may recall the discussion we had on how enforcement against private anti-competitive conduct has contributed to economic development. Many of you, from economies at quite different stages of development, offered examples of the beneficial effects of promoting competition. The link between competition and growth applies to all countries.

The important point which Australia, as well as other countries, illustrates is that a competition authority cannot by itself infuse competition everywhere. Instead, all parts of government need to adopt a pro-competition agenda. Whenever we look at new laws and regulations or existing rules, and new or existing policies and programs, we should ask: “Is there a more competition-friendly way to achieve our policy goals?” In this way, more effective competition can help clear the way for economic growth and greater welfare, without setting aside other policy goals like universal service obligations, public health and safety, or protection of the environment. Leaders of Government should both set an example and call upon competition authorities, sector and other regulators and law enforcement to pull in the same direction and support each other.

Unfortunately, competition authorities and sector regulators have often not pulled in the same direction. They often disagree about regulatory approaches and don't make sure that each others' views are taken into account. Competition authorities suspect that regulators are acting more in the interests of the firms they regulate, than in the interests of consumers or promoting competition. But sectoral regulators fear that competition authorities don't recognise broader social objectives and, instead, rigidly set competition above all other concerns.

This kind of friction is not necessary. In fact, competition authorities and sector regulators should be on the same side, because sound competition policy can be applied to governmental regulation in a way that improves economic performance, while meeting other, legitimate objectives.

The interest of Governments is to ensure that competition authorities and sector regulators cooperate. There are practical measures that Governments can take to enhance pro-competitive regulation and improve the relationship between competition authorities and sector regulators. And, maybe most important, the agencies themselves - including their leaders and staff – can work to improve mutual support and coherence in the interest of the citizens they serve. I expect that over the next two days you will learn what other countries have done in this respect, and also share your own experiences.

Dialogue to develop and refine economic policy is one of the OECD's core methods, open to all economies that are willing to take part. Another activity at the heart of OECD work is the critical review of government performance. Since 2003, such peer reviews have been a regular part of the Global Forum agenda. In previous meetings we reviewed the competition laws and institutions of South Africa and Russia. Tomorrow, we will have Turkey in the reviewed country's seat.

These peer reviews can be highly useful, for example as a lever in the domestic political process in favour of pro-competitive reform. Only three months ago, I joined a delegation including our Chair and three other senior competition officials from OECD countries on a visit to Moscow hosted by the Anti-Monopoly Commission of the Russian Federation. We met several Ministers and other representatives of the Russian Government, as well as leaders in the Federal Assembly and Duma and discussed with them the conclusions of the OECD's peer review of Russia. The impact of this review was noticeable. Political leaders are now taking positive steps on some of the most important recommendations of the report relating to the reform of the competition legislation of Russia. I believe we will hear more about this from the Russian Delegation when we open Session IV with the review of Turkey.

This is of course not the only outcome of peer reviews. An in-depth examination of a country's policies always provides lessons and inspiration to the benefit of other countries – including both examples to follow and areas that were less successful. I trust you will all find the review of Turkey tomorrow highly interesting.

As usual, the final Session will deal with future work. The input received from participants has been invaluable to the preparation of this meeting. This is your Forum, and therefore your feedback is crucial to ensuring its continued success. Evaluation forms will be circulated prior to the final session tomorrow and your views on agenda topics for future meetings will shape and determine how the Forum evolves.

I wish you all a fruitful meeting and hope that the discussions here will be of relevance to you in your important work in promoting competition back in your economies.