OECD Global Forum on Competition

PRIVATE INTERNATIONAL CARTELS AND DEVELOPING ECONOMIES

-- Contribution by Simon J. Evenett, World Trade Institute --

This note was submitted by Simon J. Evenett under Session I of the second meeting of the Global Forum on Competition, held on 14-15 February 2002.
Private International Cartels and Developing Economies

Simon J. Evenett
World Trade Institute

Research Programme

Researchers:
Simon J. Evenett (World Trade Institute)
Margaret C. Levenstein (U of Michigan)
Valerie Y. Suslow (U of Michigan)

Research conducted for:
ICPAC
World Economy
Research Scope

- General focus: private international cartels in the 1990s.
- Specific focus: five case studies of international cartels and their effects on developing economies.
- Sources: Enforcement agencies’ press releases and speech, court records, general business press and specific industry publications.

Principal findings

- Prevalence: 39 cartels (includes 5 ongoing investigations).
- Diverse international membership of cartels: 31 economies (including 8 developing economies).
- Duration: 24 cartels lasted at least 4 years
- Effect on developing economies’ imports: US $81.1bn from just 16 cartels. Likely to be an underestimate.
Principal findings

- Price falls after cartels have been broken up are of the order of 20-40 percent.
- Cartel formation triggered by substantial price falls.
- Need to keep an open mind on the effects of international market integration and cartel formation and survival.
- After enforcement actions, many cartel members merge, acquire one another, or engage in strategic alliances and joint ventures. Post-enforcement monitoring may be needed.