

Competition Advocacy: Challenges for Developing Countries

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Abstract: *The involvement of the competition authority in advocacy activities is of particular importance for developing countries. The lack of knowledge of the legal provisions and expansive behaviour in the pursuit of development leads to serious violations and the creation of impediments in the harmonious development of the loyal competitive environment among the market actors. The dissemination of information is the most important thing in the activity of promoting fair competition among the market actors. Developing countries are characterized by the presence on the market of monopolies and state-regulated structures. At the stage of market economy development, state-regulated structures, such as infrastructure, telecommunications, electricity, oil, etc., tend to be privatized, and liberalized. Therefore, at this critical stage it is a priority to apply sound policies of fair competition, through which the competition authority contributes to the development and maintenance of a competitive environment in the market. In small domestic markets, the need for advocacy is much higher than in large developed markets. The competitive constraints present in these markets are due to the structural features. The duality of the situation in which the natural tendency of market development demands the liberalization and exemption of the import duties, and on the other hand the tendency to support the domestic producers, usually weak, and the imposition of barriers, requires a special analysis and has a high level of education. of the competitive culture. Through advocacy, the competition authority can achieve the desired results without harming the economic efficiency of market actors and therefore without impact on the final consumer. This method assures the support of market actors, while achieving the objectives of ensuring a competitive environment in the market.*

Keywords: *advocacy, competition promotion, monopolies, regulated structures, small internal markets*

Introduction

The normal competitive environment on the market can be affected by both market actors and other factors, such as commercial policies and state support measures in the form of aids, subsidies, procurement procedures etc. In this context, the involvement of the competition authority in maintaining the competitive balance in the market is essential.

Due to the tendencies of price liberalization, the expansion of markets, the elimination of barriers, domestic producers can maintain the development trend and resist in the market only positioning themselves as dominant. Therefore, the involvement of the competition authority for the education of a loyal market conduct is necessary in order to avoid the abuse of a dominant position.

At the same time, problems arising from the support of the state will be closely monitored by the competition authority. The dualism of the effects of the support measures, which on the one hand comes to support job offers for contributing to social development, and on the other it can create an imbalance by providing conditions for creating the dominant position, is in the care of the analysis and control of the competition authority, so as not to disturb the proper functioning of the market. Therefore, some aid schemes can be created to make the temporary measures, if there are no other ways to achieve the social objectives. Developing countries are characterized by the presence on the market of state-regulated monopolies and structures. At the stage of market economy development, state-regulated structures, such as infrastructure, telecommunications, electricity, oil, etc., tend to be privatized, and liberalized. Therefore, at this critical stage it is a priority to apply thorough policies of

fair competition, through which the competition authority contributes to the development and maintenance of a competitive environment in the market. Thus, the active involvement of the competition authority in educating and supporting the market actors for the application of loyal behaviour in the market is a priority for developing markets.

1. Advocacy Practice of Competition Authorities

The success of a market economy is not possible without the existence of a high competitive culture. Understanding the advantages of fair competition contributes to the harmonious development of market actors, thus contributing to the sustainable development of the market economy. The impact of the competitive spirit is felt both for the final consumer and for the market players, these reaching new levels in the tendency to manifest position and affirm the market. In this order of ideas, the offer is refined and becomes varied, to attract and maintain the demand. The development of the competitive culture and the harmonization of the relations between the market actors and is the basic objective of the competition authority. The assistance in the competition field, realized by the competition authority is characterized by its involvement in the collaboration with the business environment in order to increase the understanding of the competition policies, to develop the competitive culture, to increase the awareness of the opportunities of the loyal behaviour on the market, as well as in the result to achieve the basic objectives through non-executive methods.

Through advocacy, the competition authority can achieve the desired results without harming the economic efficiency of market actors and therefore without impact on the final consumer. This method assures the support of market actors, while achieving the objectives of ensuring a competitive environment in the market. [2, 93]

The goal of advocacy actions is to create a market environment in which market actors tend to comply with fair competition policies without being required by law, that is, without applying enforcement methods. This method is both beneficial for the business environment, as well as for the competition authority, which can achieve the objectives in reduced terms, with reduced costs, compared to those required when applying the enforcement procedures. The important role in educating the business environment for loyal behaviour on the market is felt in the economic development of the internal market and the development of the economic agents to deal with the external markets. In developing markets, understanding the importance of fair competition and its benefits is very important in the process of market liberalization. Thus, the level of competition in the economy can become the weak point or the strong point, depending on the measures of development of the applied competitive culture.

Advocacy measures applied by the competition authority in a developing market are very important in the process of market liberalization as well as in economic regulation, state support measures, privatization, actions of local authorities etc.

In the case of market liberalization, the concern of the competition authority is on the one hand increasing the competitiveness of the internal market actors to deal with imports, on the other hand, supporting small producers in order to stay on the market. Market liberalization by creating attractive import conditions can greatly increase the level of competition in the market, but can also create considerable impediments to small players. That is why, following the liberalization of the market, in recent years the protectionism of the indigenous producers has also developed, and the facilitation of their development through aid measures. At the same time, the obligation of the competition authority is to inform consumers and decision makers about the considerable costs of trade barriers. Supporting local producers by establishing barriers in important social spheres can lead to higher prices to the detriment of the final consumer. This is a common factor in developing countries, where, in the tendency to support local producers, barriers are established, respectively their market power increases, and as a result, food prices are much higher than in developed countries.

The competition authority can serve as a consultant and contribute to informing the authorities in the case of the regulated economic sectors. It may also be involved in setting standards or imposing

licenses to ensure their non-discriminatory status. At the same time, it can assist in analysing the regulated sectors, in order to identify if they meet the competitiveness criteria. In the regulated economic sectors it is equally important to promote the competitive culture and consult the competition authority in order to avoid the competitive pressures in case of vertical integration. The monopoly rights offered to major industries may be limited, and markets may be restructured in such a way that vertical integration is impossible.

In the case of state aid, the competition authority has the role of ensuring equal access to information, proportionality of the beneficiary of aid and monitoring their impact on other market actors. The competition authority has the role of monitoring the aid measures, and informing about the possible distortions of the competitive environment following them. Therefore, the competition authority has the important role to promote the competitive culture both in the business environment and in the state structures, thus ensuring the creation of a fair competitive climate.

2. Constraints Arising from Small Size

The size of a country can be determined differently, by population number or territorial dimension, it is certain that a small developing market requires greater attention in providing information in the competitive field, in order to ensure an optimal trend for development.

In small domestic markets, the need for advocacy is much higher than in large, developed markets. The competitive constraints that are present on these markets are due to the structural features. As mentioned, the duality of the situation where the natural tendency of market development requires liberalization and exemption of import duties, and on the other hand the tendency to support domestic producers, usually weak, and imposing barriers requires a special analysis and the level of education of the competitive culture is of major importance. The tendency to accept monopoly structures or consolidate some companies on the market is due to the possibility of solving by the authorities some problems that have arisen at the moment, such as providing the supply at the consumers' request. These, however, lead to inhibition of competition, and in fact do not favour the development of long-term competition.

Another problem characteristic of small markets is natural barriers, which limit the possibilities of entry of new companies into the saturated market.

The multitude of competitive constraints or distortions is also more complicated to detect and correct, due to the social factor present in the small domestic markets. In small societies, the social factor increases, due to the fact that there are fewer people, and the likelihood that they are related to know each other and to create certain anti-competitive arrangements. All these factors determine the complexity of identifying and removing these actions.

Identifying and removing abuse of a dominant position, practicing discriminatory pricing, cartel agreements, is a priority for competition authorities to identify and remove. And non-enforceable methods, such as advocacy practice, can remove problems by empowering market actors, and increase understanding of the real benefits of fair market competition.

Conclusions

Implementing the awareness procedure in the activity of the competition authority on a small market is much more efficient than using the executive methods.

Following the application of the executive methods:

- the risk is maintained that the companies did not understand who in fact was the object of the violation;
- it increases the risk of the company's instability in the market following the application of sanctions and the pursuit of other ways of consolidation (again through infringement) or its decline;

- the process of analysing the case can be long lasting, with the continuation of the negative effects on the normal competitive environment, until the decision is issued. In some cases, restoring the market again may take time;
- the enforcement process requires resources; these are usually higher than the costs of informative-educational measures. At the same time, resources are used throughout the file, which can take time. And in small countries, state resources are quite limited.

Following the application of the awareness methods:

- Gives much faster results over time. Due to the information about the benefits of a competitive environment in the market, the actors tend to follow the trend;
- Can remedy the competitive climate on the market in a shorter period of time, through the commitments of the economic agents to restore the situation on the market and not to destroy;
- The dissemination of information is made easier due to the social factor characteristic of a small number of populations;
- It leads to establishing trust and transparency relations between the competition authority and the business environment;
- Contributes to the preparation of the business environment to cope with the external market;
- Contributes to the adoption of policies of economic development by the authorities that keep the course of a competitive environment in development.

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