THE ROLE OF COMPETITION LAW IN ECONOMIC DEVELOPMENT OF INDIA

Dr. Mohit Sharma, Amity Law School, Amity University Madhya Pradesh, Gwalior

Abstract

The main foundation of the economic progress and growth of any nation is only the innovation that largely depends upon the social, economic and political condition as well as on the policy made for the purpose. A consumer is considered the master and king of the free market who also plays an important role in the development of the economy. This is possible while business community engaged in practices keeping the consumer welfare into consideration. With starting of the globalization process, Indian enterprises started facing the heat of competition from domestic players as well as from global giants, which called for level playing field and investor-friendly environment. In order to compete the business players and to improve the economy at world level, a need was felt to encourage all the market players to invest and grow through completion on merit that premised upon the economic principle. The Indian competition regime is an evolving one, and has a great impact on economic development of India.

Introduction

Competition is **"**a situation in a market in which firms or sellers independently strives for the buyers' patronage in order to achieve a particular business objective for example, profits, sales or market share**"** (World Bank, 1999). In order to protect and promote the consumer's interests through a healthy and strong competition amongst contending and competing competitors in the market, Competition Law was structured.

This is the law came into force with specific objects and purpose for combating anti-competitive conduct and for maintaining and promoting the competition. In the United States competition law is also known as antitrust law. Since 20th century, this law has been adopted by more than hundred countries to implement economic reforms and market economies and become global.

Competition, a process of economic rivalry, offers a broad and extensive range of choices to consumers at very nominal, sensible or rational amount, stimulates new invention, novelty and productivity simultaneously leads to optimum allocation of resources. Competition along with liberalization, give a free rein to the entrepreneurial forces as pillars to create an efficient business environment necessary to develop the economy.

Origin of the competition law

Monopoly is a concept which was not new but a quite ancient and can be traced back to the Indian and Roman civilizations. Even the economic policy and statecraft are dealt by the Kautilya"s Arthashastra that does not make any difference between the wealth of his subjects that of the sovereign. Apart it especially mentioned the harshly punishment for the hoarders. On an international level the business practices under the Roman Empire for guilds and governments as well as for market traders have never been so easy one but remained subject to typically inspection, examination and scrutiny every now and then faced harsh sanctions. The book written by Adam Smith, titled "Wealth of Nations" is considered the very first noticeable, appreciable and traceable incident of source of competition law.

Background of Competition Law in India

In the era of 1990 economy consistency became a challenge not for India but for world over and the task to frame policy for overcome became daunting. A policy was needed to encourage the markets in order to provide better business environment, facility to consumers and to increase the economic fitness of the country. With the introduction of economic liberalization, privatization and globalization for economic reforms in 1991 in conformity with the commitments made at the WTO, in October 1999, a High Level Committee (Raghavan Committee) was appointed by the government of India to suggest a legislative framework in line with international economic developments. On the basis of the report submitted, a consultation was made with the general public including the trade and industry associations and decided to enact a law to replace the then existing competition law, Monopolies and Restrictive Practices Act (1969) (the MRTP Act). A new Competition Act, 2002 was enacted which received Presidential assent on January 13, 2003.

Economic reforms of 1991

The year of 1969 was the reformative year that endeavored to prevent the concentration of economic power in the country to control the monopoly and to prohibit monopolistic and restrictive trade practices by enacting The Monopolies and Restrictive Trade Practices Act. The new economic policy, 1991 consist the concept of liberalization, privatization and globalization was initiated that resulted into not only towards the end of license-permit Raj but also took India on a faster growth path or route of free market economy.

As quoted by Dr. Manmohan Singh, the then FM, in the Budget Speech **"no power on Earth can stop an idea whose time has come"** and that "**It is essential to increase the degree of competition between firms in the domestic market so that there are adequate incentives for raising productivity, improving efficiency and reducing costs**"

Indian economy on the fast- track

The result of economic reforms of 1991 has shown not only the remarkable resilience but also unleashed unprecedented growth momentum. Apart 1991 policy triggered the dynamic forces of competition in the Indian economy and Indian economy founded double digit growth. With the rapidly declining age profile, India had the fastest growing population of workers and consumers. This was the time when competition played a significant role in unlocking fuller growth potential of Indian economy

Role of Competition Law

Competition in relation with monetary, fiscal and trade policies is considered the fourth corner-stone, also recognized a commanding and controlling device to enhance productive efficiency, use of scarce resources, extend the economic growth up to maximization along with welfare of the common man. Linking the relevance of competition in driving economic growth, William Lewis, in 'The Power of Productivity' and economist Paul London in 'The Competition Solution 'have concluded that the competitive pressures have helped suppress inflation, raise living standards, and pushed manufacturing productivity up by 4% a year. Through competition a customers is empowered to choose either new products or new suppliers. A new businessman can also enter into the business market to compete the existing competitors. Competition provides benefits not only to the businesses market, consumers but also to the government. Indian market is also not an exception and the competition brought better quality, lower prices and wider choice to consumers.

Some examples: Consumer Electronics, Newspapers, Civil Aviation, Telecommunications, etc.

Objectives

1. To promote healthy competition in the market.
2. To prevent those practices which are having adverse effect on competition.
3. To protect the interests of concerns in a suitable manner.
4. To ensure freedom of trade in Indian markets.
5. To prevent abuses of dominant position in the market actively.
6. Regulating the operation and activities of combinations (acquisitions, mergers and amalgamation).
7. Creating awareness and imparting training about the competition Act.

The online economic perspective

Competition law provided a deep understanding of the economics in many respect, including the Internet-based businesses. The increase of the users also increases the possibilities of the business with the special help of social network like face-book and other social media. The Uber secured a complementary position on both sides of their platform and got not only the customers but also the visitors for their pages. Through online business a person can quickly build an ambiance to exclude other competitors out of the market. The competition authorities play an important role in determining the online markets winners and losers by the market forces.

International Experience (Benefits of Competition)

The Competition and GDP have a direct relation that helps in increasing per capita income and creating extra employment opportunities.

According to William Lewis and Paul London in ‘The Power of Productivity” and ‘The Competition Solution” that the Competitive pressures have helped in raising living standards, suppressing inflation and pushed manufacturing productivity up by 4% a year.

According to Scarpetta and Nicholas, pro-competition policy in UK and New Zealand added around 2.5% to their employment rate over 1978-1998.

Australian GDP increased by 5.5% or $23 billion a year and average employment rose by 30,000.

In India the same law has brought better quality, lower prices and better opportunities for consumers, ex-consumer electronics, newspapers, civil aviation, automobiles & telecommunications.

International Experience (Gains from Competition)

OECD survey illustrates that savings to public treasuries between 17 and 43% have been achieved in some developing countries through the implementation of more transparent and competitive public procurement process.

European Commission found that increased competition and transparency resulting from implementation of the Public Procurement Directives of the European Communities in the period between 1993 and 2002 generated cost savings between € 5 billion and € 25 billion.

In Bangladesh, a substantial reduction in electricity prices due to the introduction of transparent and competitive procurement procedures.

A saving of 47 percent in the procurement of certain military goods in Columbia through the improvement of transparency and procurement procedures.

A 43 percent saving in the cost of purchasing medicines in Guatemala.

A substantial reduction in the budget for expenditures on pharmaceuticals in Nicaragua.

In Pakistan, a saving of more than Rs. 187 million (US $3.1m) for the Karachi Water and Sewerage Board through the introduction of an open transparent bidding process.

The Portuguese Competition Authority fines € 14,7 million against five undertaking implicated in the Canteen Cartel.
The Italian Competition Authority fines € 10 millions against 15 local public transport operators for collusive tendering
Japan "has saved significant public resources and reduced contract prices by nearly 20 per cent in some cases as a result of restoring competition".
Mexico has helped cut its costs by $3 billion over three years and the savings could add up to about 1% of its GDP.
The OFT found out 112 construction companies involved in widespread bid rigging (Construction Industry Cartels)
KFTC between 1998 and 2004, handled 208 cartel cases, out of which 47 (22.6 percent) were bid rigging cases and imposed fines amounted to 154 billion for bid-rigging and 399.4 billion for cartels.
Brazilian authority ended several bid rigging conspiracies and made savings of approximately USD 9.4 billion.

Here is the GDP Growth Rate of India Estimated by Various Organisation

S. No.	Organisations	2017-18	2018-19
1	NITI Aayog	6.9-7.0%	7.5%
2	Economy Survey 2016-17 (Finance Ministry)	6.75-7.50%	-
3	World Bank	7.0%	7.2%
4	International Monetary Fund (IMF)	6.7%	7.4%
5	Organisation for Economic Co-operation and Development (OECD)	6.7%	7.2%
6	Asian Development Bank (ADB)	7.0%	7.4%
7	Hongkong and Shanghai Banking Corporation (HSBC)	6.0%	-
8	RBI (in 4th Bi-Monthly Monetary Policy)	6.7%	-
9	United Nations (UN, in May 2017)	7.1%	7.5%

Conclusion

On the basis of the above mentioned, it became clear that in order to meet the necessities for the economic growth and international economic developments pertaining to fair market and competition, The Indian Competition Act, 2002 is one of the complete, broad and comprehensive Act. The said legislation is unique for promotion of harmonization among consumers with other trade policies and considered landmark legislation. This Act is enacted not only to curb all anti-competitive agreements, the abuses of dominant enterprises but also to promote competition among market players. Though the said Act does not curb the monopolies rather regulate any kind of combinations beyond a particular size. Ultimately it can be said that there is much expectation from the competition Act in playing an accountable and responsible role to protect the interest of the small and medium industries, consumers for providing much benefits and to promote the economic development of the country.

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