

## **Competition Policy, Free Trade Area, and Economic Growth**

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### ***A. Introduction***

Mr. Chairman, Ladies and Gentlemen,

1. First of all, let me express my warm congratulations on the third anniversary of the enactment of the Indonesian competition law. I have already acknowledged my high regard for the advancement and attainment of the KPPU in its law enforcement over the past three years, and for its leadership in hosting this important regional conference. I feel very reassured.

### ***B. Free Trade Area and Anti-Competitive Activities***

2. Recently, the economic relationship among the Asian nations, particularly between ASEAN countries and Japan, has become a much closer one. As a result of several rounds of multinational trade negotiations, customs duties, government regulations and other trade barriers have been steadily reduced or eliminated, and the flow of goods, money, and people across borders is getting faster and larger. With the WTO new round of trade negotiations, the trend for borderless economy will develop further.
3. Asian countries should continue to strengthen their efforts and ensure the free flow of goods and services with a view to maintaining and even accelerating economic growth in the world economy. In this regard, I would encourage ASEAN countries to work toward the early realization of the ASEAN Free Trade Area, as well as the ASEAN-Japan Comprehensive Economic Partnership initiative.

4. On the other hand, freer flow of goods and services may threaten the status of those that have vested interests and thus far have been protected from competition from across the border. Such freer environment may tempt them to keep the monopolistic or dominant position in their market. Moreover, developing countries are especially vulnerable to international cartels, and their import regimes are subject to anti-competitive practices. Cross-border anti-competitive practices, in particular those by multinational corporations, are a major problem for developing countries. They would seriously injure markets and industries in developing countries, and also constrains the potential of their economic development. The most striking example of this is hard core cartels, especially cross-border ones.
5. Therefore, national government and competition authority in particular, which is “a guarantor of the free market,” should stay vigilant against those anti-competitive business activities that may hinder the free flow of trade and investment.
6. In order to strengthen the economic relationship among Asian countries, competition authorities in the region should attach a higher priority to measures to curb anti-competitive practices in order that the benefits gained from closer economic relations should not be damaged. International cooperation must be strengthened to enable countries involved to more effectively do so.
7. It is from such a perspective that the Japanese government has proposed including “competition policy” on the agenda for the new round of WTO trade negotiations, as well as for regional trade agreement with some Asian colleagues. We hope that, i) each country will adopt necessary measures to effectively deal with anti-competitive activities and enact proper enforcement to achieve its objective, and ii) a framework of international cooperation against anti-competitive activities be established.

### ***C. Economic Development and Competition Law***

8. It is delightful that there is a growing interest in competition law in the ASEAN region. After Thailand and Indonesia introduced their competition laws a few

years ago, Vietnam, Malaysia, the Philippines, and Singapore among others have been in the process of studying and drafting a general competition law respectively.

9. On the other hand, it is true that some people still doubt that competition policy may bring economic development to developing countries, rather they believe, unfortunately, that competition policy may conflict with industrial policy and its development policy objectives. Some countries cannot take prompt steps to introduce a competition law, because such a concern prevails in their countries, even though the need to do so has been theoretically understood by the leaders.
10. What I would like to emphasize in this context is that Japanese past experience shows that a competition law has never been a hindrance to economic development but, rather, a driving force for the international competitiveness of private companies. I believe that I have the agreement of the guest speakers from developed countries, which have realized economic growth in their experience of developing and enforcing competition law, when I say this.
11. Sound competition policies facilitate the optimal allocation of domestic economic resources. Competitive markets are a good basis for medium- and long-term economic development. Competition laws and policies underpin the establishment and maintenance of sound market mechanisms.
12. In my experience, there seems to be a misunderstanding among developing countries that Japan's economic development has been brought about by industrial policy to substantially restrict competition while a competition law was introduced just as a formality. It is true that some sectors were exempted from the enforcement of the competition law in a certain period in Japan. Could we, then, say that these sectors are internationally competitive today? In reality, the situation is the contrary. It is the sectors that have been subjected to fierce competition under the competition law that maintain international competitiveness. Automobiles, electronics and other sectors where Japan maintains a competitive advantage have never been exempted from the enforcement of competition law.

13. One feature of the postwar Japanese economy has been the sheer intensity of intra-industry competition, with rivalry among companies maintained and strengthened as a basic trend, creating favorable market mechanisms. The development of a free and fair business environment as a result of both the tension and synergy between industrial policy and competition policy has therefore been a major factor in Japan's rapid economic growth.
14. It was in 1947 when the Japanese Anti-Monopoly Act and the Fair Trade Commission were established. According to the experience of Japan afterwards, while taking necessary measures from the viewpoint of industrial policy, it would be important to develop national competition law and competition authority at the early stage of development. These fundamental institutions enable countries to provide fair and competitive conditions, ensuring the sound development of domestic industry as well as restricting the abuse of dominant position of large companies including multinationals. The outcome of such efforts will lead to greater international competitiveness for the domestic industries, and thus higher economic growth.

#### ***D. Aiming at the Establishment of Competition Law and Policy***

15. Of course, it is not easy to establish a competition policy in countries that have been unfamiliar with it. It is no wonder that some countries have not introduced competition law yet and hesitate to do so. Indeed, competition law did not take root as soon as it was adopted in Japan. More than fifty-five years later, it has taken root today. But, we believe that advocacy is still one of our priorities to gain a deeper understanding from society of the importance of the competition policy in an ever-changing setting, as the economic situation unfolds in the "globalized economy". Advocacy programs and educative process programs remain indispensable.
16. In order to support countries to develop their competition policy, the JFTC has been offering various technical assistance programs, because we hope that our colleagues can learn from our past experience.
17. Based on Japanese experience, we believe that competition policies have

positive effects on economic development, and that it would be important to develop national competition law, while paying due attention to the balance with specific industry and development policies in each country.

18. Strict law enforcement may not be enough to firmly establish competition policy in society. Other activities may be required to establish and publish guidelines to clarify the interpretation of the law, offer prior consultation services, and adopt other measures to provide consumers and businesses with circumstances that may help them to understand and assure compliance with the law.

### ***E. Conclusion***

19. We would like to share our experience with you through regional cooperation. Thus, I have proposed to set up web-accessed database named “East-Asian Competition Policy Forum” to facilitate information exchange, as one of Japan’s contributions.

20. Last November, ASEAN and Japanese leaders announced in the Joint Declaration that ASEAN and Japan should seek broad-based economic partnership covering not only liberalization of trade and investment but also facilitation measures. Japan has committed itself to strengthen regional cooperation to ensure closer economic partnerships and linkages.

21. I hope that such a strengthened relationship among Asian nations will contribute not only to improving the competition policy in each country but also to developing free and competitive markets, and thus economic growth in the Asian region.

22. In conclusion, let me extend my utmost gratitude to Indonesia for giving me this great opportunity, and KPPU and its staff for organizing the conference in such a wonderful setting.

Thank you very much.