

10th Annual Conference on Competition Law, Economics and Policy

Competition Policy and Economic Growth

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Commissioner
(Acting President)

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Competition policies

- Should evolve according to social and economic development;
- Should necessarily be compatible to the internal institutional framework.

Economic development has its foundations in some national aspects:

- Economic and social environment;
- Legal stability;
- Regulatory policies;
- Competition policies.

Competition policies have unequivocal benefits

- Ensuring business opportunities;
- Promoting innovation – and, consequently, productivity;
- Assuring sustainable growth.

1930' s - 1970' s: Import Substitution Process.

State had a pivotal role in economic development;

SOE were very important and there were not concerns with their potential anticompetitive conducts;

State monopolies: oil (Petrobras), energy (Eletrobras) and telephone (Telebras);

State coordinated prices and quotas among main players in many sectors (i. e.: Supplies National Superintendence – Sunab; Interministerial Council on Prices – CIP);

Not much space for competition policies;

Nevertheless, high rates of GDP and GDP per capita growth;

1962: CADE is created (Law 4.137/62) as part of the Ministry of Justice.

Recent decades of Economic Growth and Competition in Brazil

1980s: failure of the Import Substitution Process

External debt and currency crisis; fiscal crisis; hyperinflation;

Estagnation of economic growth;

1990's: "Consensus" on the need to change the economic model;

Market oriented reforms: trade liberalization, deregulation, privatization SOE;

1994: the end of hyperinflation - Plano Real;

State no longer controlled prices and market quotas;

Price control mechanisms replaced by free competition;

New type of State Intervention: Competition and regulation as fundamental mechanisms of a new development strategy.

Need to structure the Brazilian System of Competition Defense (SBDC).

1994: CADE becomes an independent agency (Law 8.884/94) linked to Ministry of Justice (*)

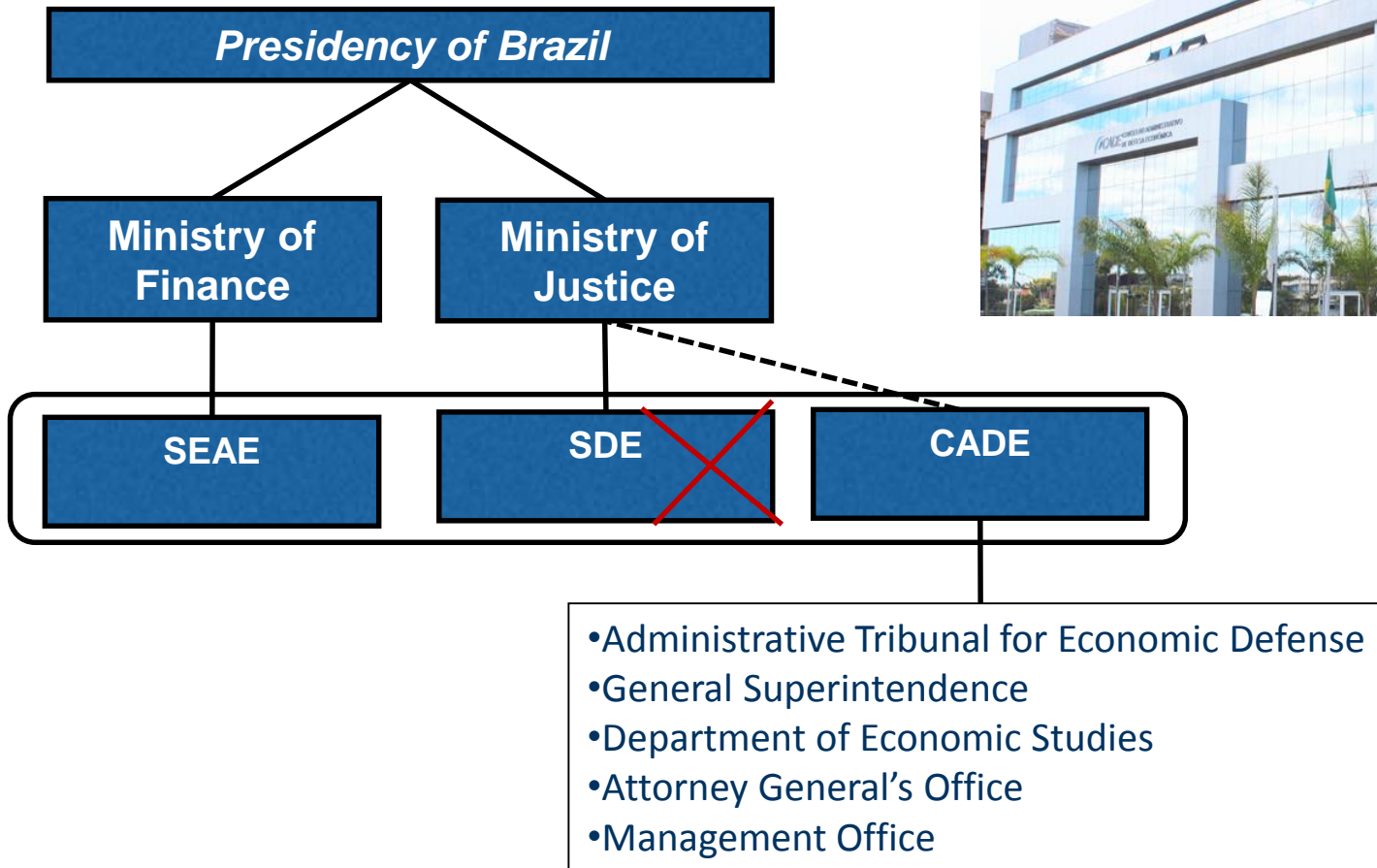
SEAE/Ministry of Finance - Economic opinion - mainly in M&A cases;

SDE/Ministry of Justice - Investigations - mainly in conduct cases;

CADE (Tribunal) - trials.

2012: CADE's restructuring (Law 12.529/11); competition policy strengthened:

SBDC's* new structure : enhanced efficiency



- Development of a Pre-Merger Review System (based on firms annual turnover);
- CADE now has a limit of 240 days to review Mergers and Acquisitions, which is extensible for other 90 days in case of complex operations;

Changes in the minimum amount of fines to be imposed in cases of anticompetitive behavior (0.1% to 20% of annual turnover).

Results:

The majority of Mergers and Acquisitions stays in the General Superintendence;

- CADE's Tribunal evaluates only more robust cases of M&A; and,
- Tribunal evaluates a larger amount of cases involving anticompetitive conducts.

Benefits of Competition Policy:

- 1- Less abuse of market power - prices and quantity close to competitive levels;
- 2- Fostering investments on innovation;
- 3- Productivity growth;
- 4- Economic Growth.

Let's see productivity and economic growth in Brazil after the strengthening of competition policy.

Procutivity gap increased after 1990's:

Countries	1960	1970	1980	1990	2000	2010	2015
USA	100%	100%	100%	100%	100%	100%	100%
Brasil	27%	27%	36%	27%	28%	26%	25%
Chile	35%	36%	33%	29%	35%	36%	40%
Mexico	50%	58%	56%	40%	37%	30%	31%
South Korea	8%	12%	15%	24%	37%	47%	49%

Labour
Productivity
per hour
worked

Average growth rate since 1960's:

Brazil's Average GDP Growth Rate

1960's	6.12%
1970's	8.79%
1980's	3.02%
1990's	1.64%
2000's	3.32%
2010's	1.72%

- ✓ Why are the economic growth rates so low?
- ✓ Low investment to GDP ratio;
- ✓ Since the 1980's the ratio has been under 20%;
- ✓ Stagnant Productivity;
- ✓ So, is the competition policy dispensable?
- ✓ Of course not!!!

- ✓ Competition policy is important to control firms' market power;
- ✓ It is also important to dismantle cartels;
- ✓ What are the results? Prices and quantity closer to competitive levels
- ✓ Who benefits? Consumers - increase in consumers' surplus;
- ✓ What about efforts to innovate and their impact on productivity and economic growth?

- ✓ I believe they are positive;
- ✓ But there are numerous variables that also influence economic growth;
- ✓ It is difficult to separate all the variables that influence economic growth.

Thank you!

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