

Seminar on the “Role of Competition in Improving the Investment Climate”

Karachi, 5 November 2013 - Opening Remarks by Dr. Joseph Wilson

Respected Speakers, ladies and gentlemen:

On behalf of Competition Commission of Pakistan, it is with great pleasure that I welcome you to this seminar on “Role of Competition in Promoting Investment Climate.” The inter relationship is emerging as a cross cutting issue at an international level and its importance cannot be overemphasized. I would like to take a few minutes to take about both **competitiveness** and **investment climate** and why we felt it was necessary to hold this event.

If you’re an investor willing to invest globally, you would eventually going to realize that the most competitive markets all around the world are the ones that consistently reward investors like yourself year after year. A stable economic climate, a reliable business environment, and an orderly system of law and contract enforcement provide an important milieu for innovation and competition to thrive.

How do you find such markets? Which economies in the world are the most competitive and productive for business? *Fortunately*, we have well-known entities such as the World Economic Forum for this guidance: The WEF recently released its annual Global Competitiveness Report for 2013-2014,¹ a comprehensive analysis of the world's business climate by country. The WEF's definition of competitiveness is "the set of institutions, policies, and factors that determine the level of productivity of a country."

Unfortunately, the latest Global Competitiveness Report ranks Pakistan as the 133rd most competitive country, a drop of 9 places since the previous ranking. We’re probably used to seeing Pakistan at around this level of ranking but as a comparison, Argentina, a country close to a sovereign-debt default; Egypt, a nation still battling over the after effects of the Arab Spring and the subsequent military coup earlier this year; Uganda, a country beset with a litany of human-rights violations from guerilla groups; and Zimbabwe, a nation that the CIA ranked as having the third-worst GDP per capita in the entire world in 2012, are ranked as being more competitive than us. Let me also point out Libya as another example.

Investment climate is a function of a number of factors that are adequately summed up in the annual World Bank/IFC Doing Business reports. These reports look at various indicators²but what I found interesting are the words of the Managing Director, and I quote:

The Doing Business project aims to deliver a body of knowledge that will catalyze reforms and help improve the quality of the rules underpinning the activities of the private sector. This matters because in a global economy characterized by constant change and transfor-

¹<http://www.weforum.org/reports/global-competitiveness-report-2013-2014>

²The cost of starting a business, enforcing contracts, trading across borders, dealing with construction permits, getting electricity, getting credit, protecting investors, registering property, resolving insolvency, and paying taxes.

*mation, it makes a difference whether the rules are sensible or excessively burdensome, whether they create perverse incentives or **help establish a level playing field**, whether they safeguard transparency and **encourage adequate levels of competition**.*

In one sentence, the principles of competition are mentioned twice. Thus, the enforcement of competition principles is an important contributor in enhancing the investment climate.

The role of a competition agency is to prevent market failure resulting from anticompetitive practices; basically, we must ensure fair market conditions.

The benefits of competitive markets are globally recognized. i.e., efficient allocation of resources resulting in innovation, better products, more choice, and most importantly, prices which are reasonable. These are important factors for consumer welfare, poverty reduction, and economic growth.

All this sounds too good and rosy! But the realities on the ground are different. There are certain underlying assumptions, which are taken as given, when defining the role of a competition agency in ensuring competitive markets.

Economics and competition literature talk about the behavior of market players i.e., buyers and sellers; the elements of cartelization; possibility of a refusal to deal on unnecessary grounds; the possibility of rent-seeking by a monopolist or dominant players. This literature never envisaged the entirely different meaning of “rent-seeking” going on in this city by players who are neither buyers nor sellers, and whose actions hinder – even hurt - small and medium enterprises. Factors like these, which hamper competition, we will hear more about them in the second session.

The third session will focus on international trade and competition law, within the WTO context in particular, and on Pakistan’s commitments and their impact on the country’s investment climate.

The first session focuses on the nexus between competition and investment. We are pleased to have some impressive speakers with us today to share their personal experiences and views and I look forward to an informative and productive discussion.

Our aim for holding this seminar is that the discussion today will help inform the important nexus of competitive markets and investment climate and perhaps establish parameters of mutual collaboration to help us improve from our rather dismal 133rd ranking.

This seminar somewhat coincides with the sixth anniversary of the Commission, which became functional on 12 November 2007. Being a founding member of the Commission, it has been an interesting period for me personally and I must acknowledge the presence of the Commission’s first Chairman, Mr. Khalid Mirza, who is with us today. As this Commission enters into its 7th formative year, we hope to fine tune our regulations, improve our investigative techniques and enhance the agency’s effectiveness.

I thank all speakers and participants for their time and for joining us in this seminar.