



Sustainable Development and Competition Policy

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Visayas Regional Scientific Meeting

Keynote Address

Bacolod City

11 April 2018

Takeaway

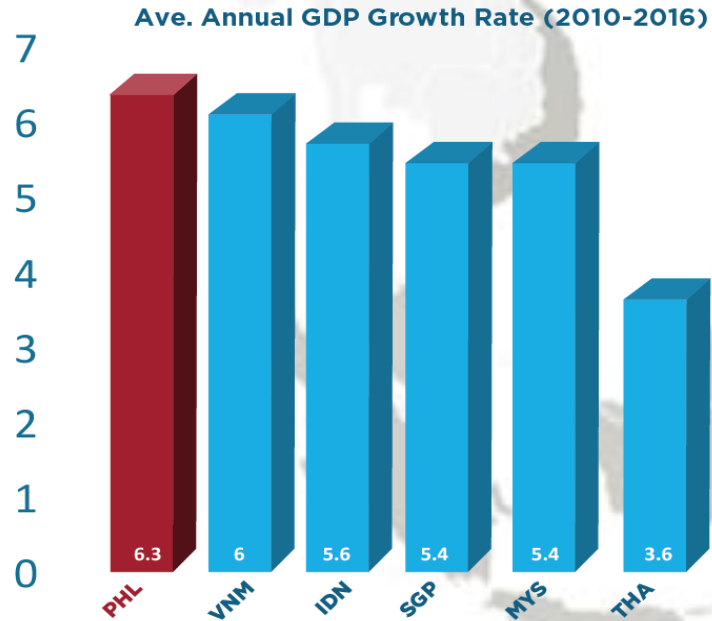
- **Rapid growth** of the Philippine economy in recent years, but weak competitiveness and poor social outcomes (poverty reduction, human development). Is growth sustainable?
- Going beyond metrics of economic production to understand interdependence of the economy, environment & society. But from a policy perspective, popular **Sustainable Development** ideas cannot be operationalized.
- Back to the basics of sustainability science & focus on **policy operability**. What is the development objective & what are the policy handles?
- **Competition policy** (CP) is key to undoing highly anti-competitive market practices to enhance people's welfare and sustain growth.
- CP is a blunt instrument for addressing some **"public interest" considerations** (e.g., protection of the environment). But need to inject competence lens to achieve **policy coherence** and avoid jurisdictional & enforcement conflicts
- CP is not panacea: part & parcel of **development strategy** to sustain growth and foster inclusive development.



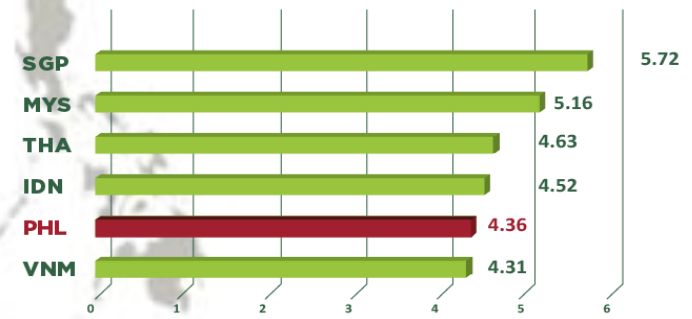
Outline

- Some facets of the Philippine economy
- “Sustainable development”
- Competition policy & sustainability
- “Public interest” considerations in competition policy
- Benefits of competition
- Summary

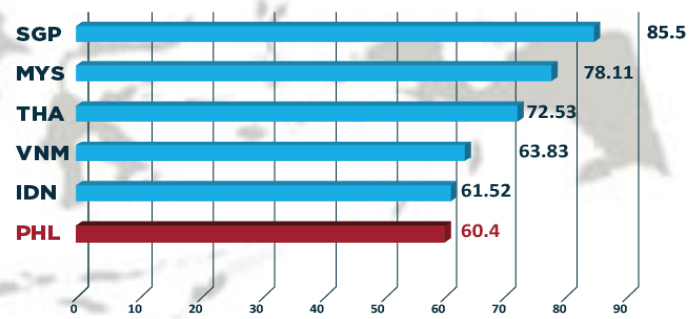
Two Facets of the Philippine Economy: Rapid Growth, Weak Competitiveness



Global Competitiveness Index score (2016-2017)



Ease of Doing Business score (2017)



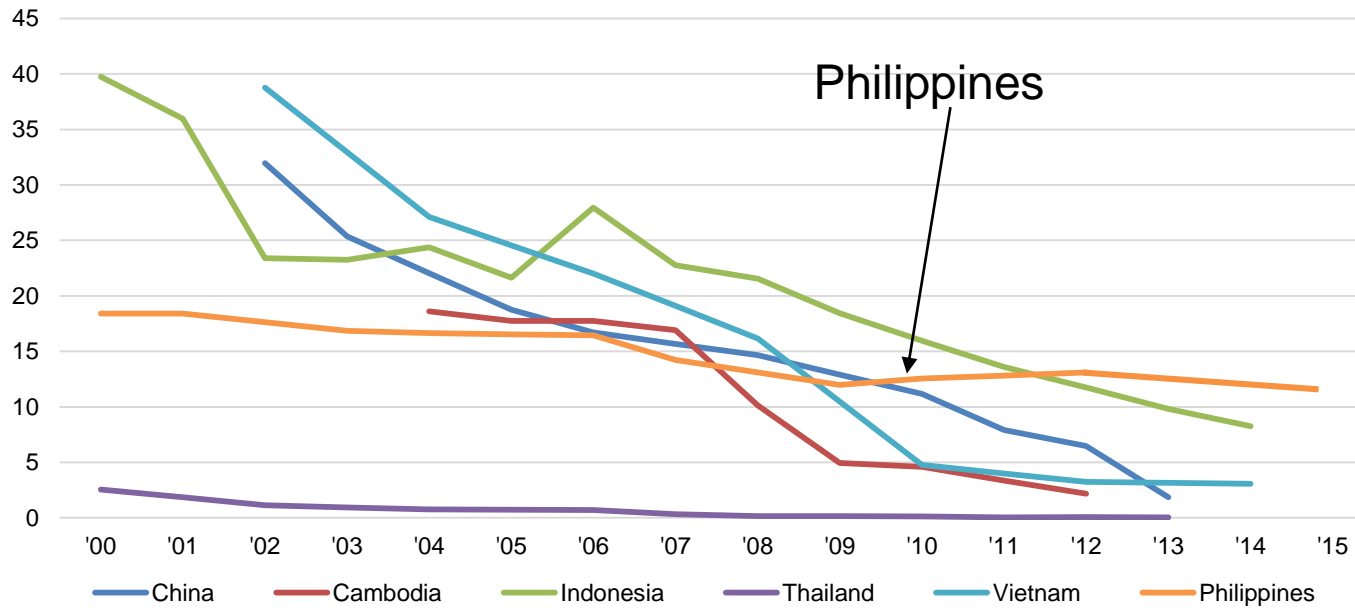
Is PH growth sustainable?

Sources: WB Development Indicators, WEF Global Competitiveness Report 2016-2017, and IFC Doing Business Report 2017 (published in 2016)



Slow poverty reduction amid rapid economic growth in recent years

Poverty Headcount Ratio at \$1.90/day
(percent of population)



Rapid economic growth has **not been broadly inclusive**: Will growth be **sustainable**?

Economic growth is only a means to an end: **enhancing well-being**.

“Sustainable Development”

- **Brundtland Commission 1987** - “Development that meets the needs of the present without compromising **the ability** of future generations to meet **their own** needs.”
 - Vague and contentious definition!
 - 300 definitions of SD in tourism alone (Stabler and Goodall, 1996)
 - 400 definitions exist (Ahmed, 2009)
 - 1000 definitions (UN, Int. Envi. Forum, 2009)
 - “*So I see little point in expanding the collection of fifty sustainability definitions which I made in 1989, to the five thousand definitions that one could readily find today,*” (Pezzey, 1997, p. 488)
- ❖ **President Clinton 1993** – “If we do not nurture our people and our planet through sustainable development, we will deepen conflict and waste the very wonders that make our efforts worth doing.”
- ❖ **Robert Solow, 1993** – “The less you know about it, the better it sounds.”
- ❖ **Paula Easley, 2007** - “Something that sounds good if you say it fast.”

Critiques to the popular versions of sustainable development



Start Over

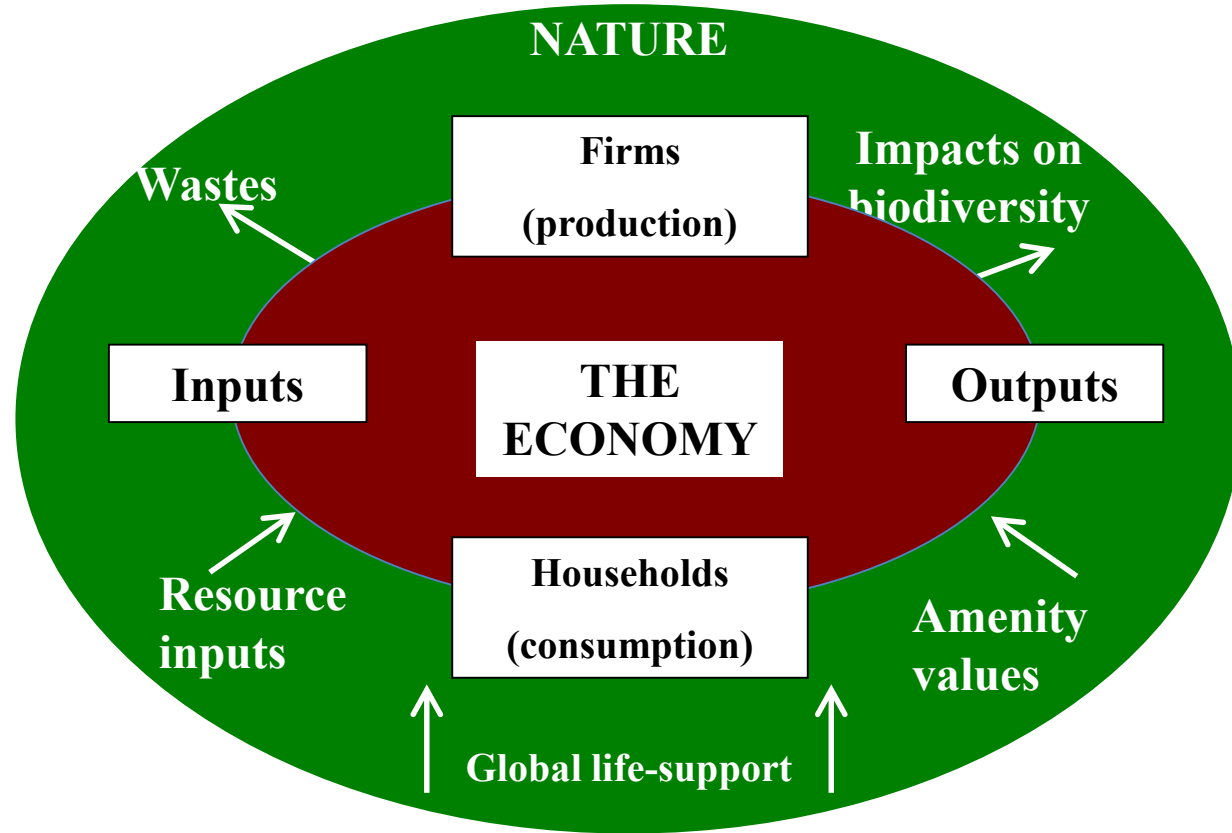
- Essence of sustainability dialogue is a (normative) concern for intergenerational equity (Solow/Sen). A natural interpretation of int. equity is int. neutrality.
 - System approach
 - Intergenerational equity
 - Dynamic efficiency

A mere reminder not to omit the environment and future generations in the optimization.

- "Sustainable" is a property (Anand and Sen). It may or may not be a property of an optimal and intergenerationally equitable path.



One system: the Environomy



Resource Augmented Economic Development

Objective:

TO IMPROVE WELL BEING (WELFARE)

But recognizing that **well being is multidimensional**

- Capability to participate in the market economy
- Engagement in civil society
- Capacity for a healthy and long life
- Enjoyment of the environment

Sustainability Science

Sustainability represents an injunction to extend policy analysis to encompass both system interdependence and intergenerational equity.

- Clark sees sustainability science “transcend(ing) the concerns of its foundational disciplines and focus(ing) instead on understanding the complex dynamics that arise from interactions between human and environmental systems.”
 - William Clark (Our Common Journey: A Transition Toward Sustainability, 1999)

Sustainable Economic Development Resources, Environment, and Institutions

Edited by Arsenio M. Balisacan | Ujjayant Chakravorty | Majah-Leah V. Ravago

"If we are to understand the impact of public policy on sustainable economic development and poverty reduction, we must likewise understand the structure of the economy and its institutions. The illustrious authors of this volume contribute to this mission by providing an integrated vision of an economy's natural resources, institutions of governance, and especially its agricultural and rural development."

- His Excellency Benigno S. Aquino III, President of the Republic of the Philippines

"As nations around the world experience both the benefits and the problems that come with economic growth, many have come to see sustainable economic development as their key objective. This volume brings together social scientists and natural scientists from industrialized countries, emerging economies, and the developing world to examine the crucial interface between environment, resources, economic development, and political institutions. This book thereby provides an effective entry-point to the literature for novices, as well as a state-of-the-art survey for experts."

- Robert N. Stavins, Harvard Kennedy School

"The pursuit of sustainable development has become an important policy objective. By presenting a unique combination of conceptual analyses and insightful case studies, the book, **Sustainable Economic Development: Resources, Environment, and Institutions** makes an important contribution in defining this challenging notion and identifies strategies to achieve it. This book emphasizes that the design of sustainable development policies requires understanding of the dynamics of natural resources, human behavior, economic forces, and the inner-working of institutions. The book explains complex concepts with lively analysis of important examples from fields such as water, energy, and agriculture as well as macroeconomic stabilization and poverty alleviation.

This book provides an excellent introduction to development and natural resource policy for advanced students, and it is an outstanding source for economists, natural resource specialists, policy analysts, and other practitioners working in the resource and development fields."

- David Zilberman, UC Berkeley

The 25 chapters in this book lay down the foundations of sustainable development in a way that facilitates effective policy design. The editors mix broad thematic articles with focused micro articles, balancing theories with policy designs. It begins with two sections on sustainable development principles and practice and on specific settings where sustainable development is employed. Other sections illuminate institutions, governance, and political economy. Additional sections cover sustainable development and agriculture and risk and economic security, including disaster management. This rich source of information should appeal to any institution involved in development work and to development practitioners grappling with an array of difficult on-the-ground developmental challenges.



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Sustainable Economic Development

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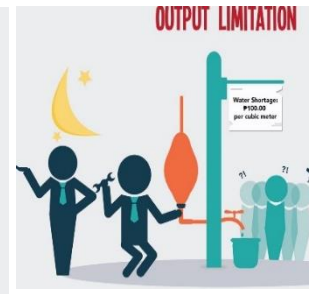
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Competition Policy & Sustainability

Competition Policy: The rules—policies and laws—which ensure that competition in the marketplace is not restricted in a way that is detrimental to society



The PCC comes in to prohibit **cartels**, **abuses of dominance** and **anti-competitive M&As** and ensures that competition is robust, particularly, in markets characterized by **monopolies and high concentration**.

Chapter 16: Leveling the Playing Field through a National Competition Policy

- A first in the country's socio-economic planning history
- Signals commitment to mainstream competition issues in the development discourse
- Goal: improve consumer welfare and market efficiency

Priority Sectors for Competition Enforcement



Agriculture



Power/Electricity



Manufacturing



Telecommunications



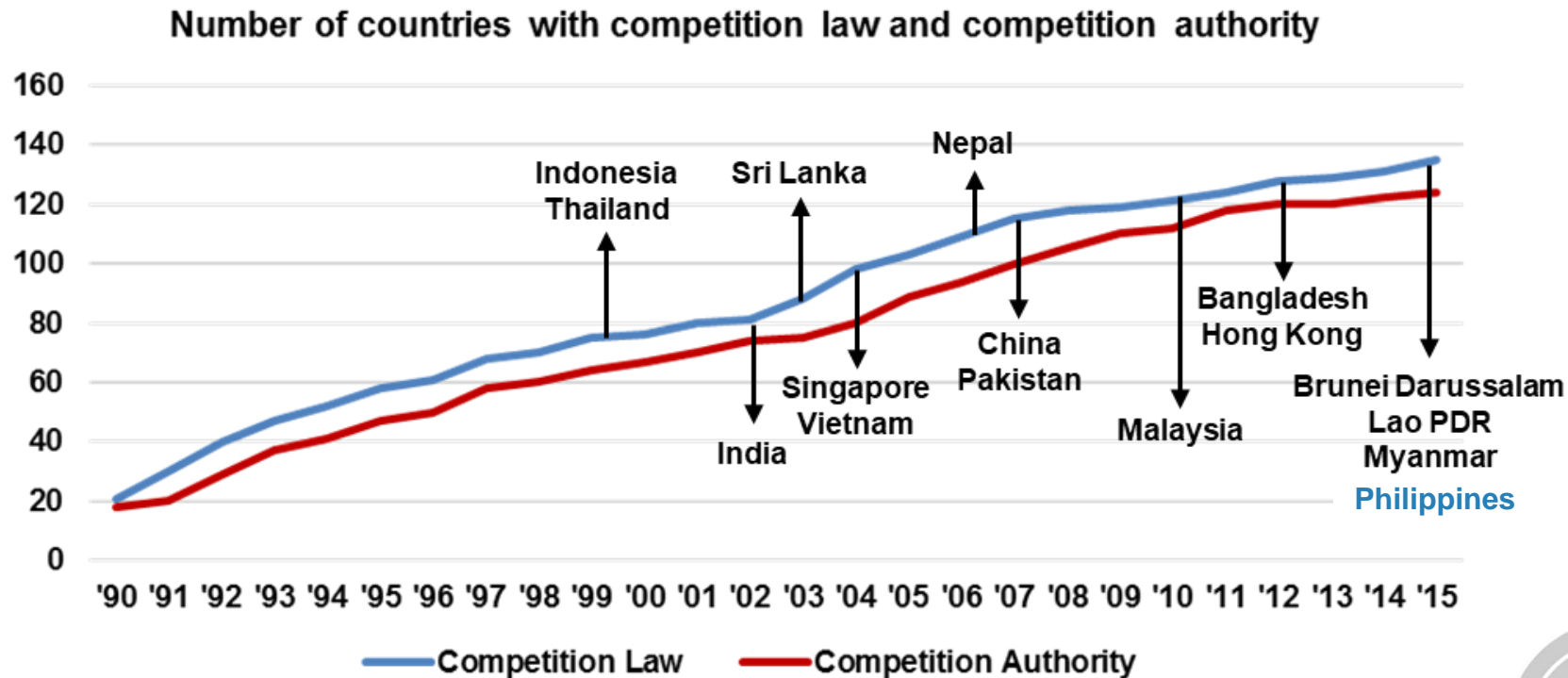
Transportation/Logistics



Philippine
Development Plan
2017-2022



Competition law (policy) is increasingly becoming global



Source: Staff estimates based on OECD (2014) graph

Objective of Competition Policy

- To enhance economic welfare? Consumer welfare?
- To take into account “public interest” considerations?
 - Equity goals
 - Protection of environment
 - Protection of SMEs/jobs
 - Social/political considerations

Public Interest Considerations under Different Jurisdictions

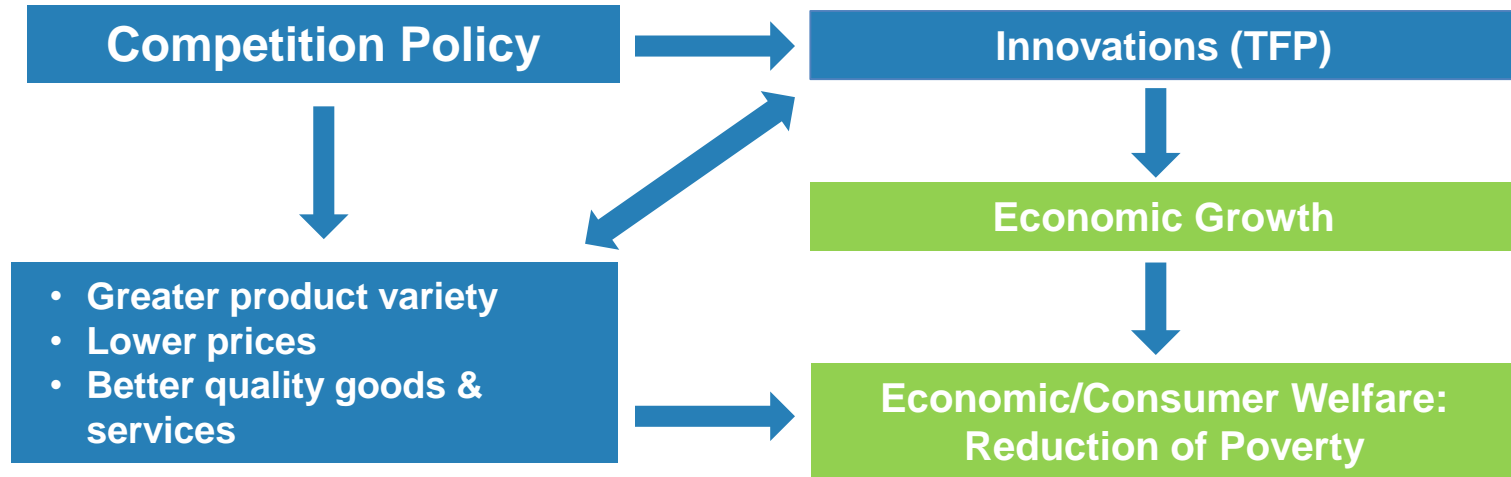
Country	Public Interest Considerations
China	National security; development of the national economy
Indonesia	Safeguard interest of the public; ensure equal opportunities for small businesses
India	Any class of interest of security of the State or public interest
Thailand	State-owned enterprises, public organizations, or other government agencies
Philippines	Forbearance is based on public interests and consumer welfare
Fiji	Environmental and social considerations
South Africa	Employment generation and restrictions on job losses; promotion of SMEs
Vietnam	Non-infringement of public interest, and the lawful rights of enterprises and consumers
Malaysia	innovative technologies as a path to environment sustainability, economic development and social advancement
Korea	Increase of employment, economic development of non-metropolitan areas, the stable provision of energy and improvement of environmental
EU	Legitimate (non-competition) public interests, including public security, plurality of media and prudential rules
Australia	Significant increase in the real value of exports, import replacement, matters relating to international competitiveness

Reality Checks

- **OECD member countries:** Deployment of public interest considerations in, say, merger decisions “rarely occur in practice” (OECD 2016). Market efficiency considerations rule!
- **Developing economies:** Broad public policy objectives (arguably) carry more weight in the goals of competition policy owing to their economic, social and institutional characteristics
- But: while competition policy is effective in addressing certain issues (high market concentration, anti-competitive markets) and attaining some goals, it may be a **blunt instrument for attaining other objectives**.
 - e.g., Equity goals may be better achieved achieved by fiscal policies (taxation & gov’t spending)

Competition Policy, Economic Growth and Welfare

- Channels: Directly & indirectly **via innovations** (total factor productivity or TFP) to **economic growth**.
- Economic growth has been the predominant **source of poverty reduction in LICs & MICs**. In the medium to long term, **TFP growth is what makes growth sustainable**.
- Ample evidence on the nexus between competition & TFP growth. **Competition induces structural transformation** (of employment), from low to high productivity sectors/areas.

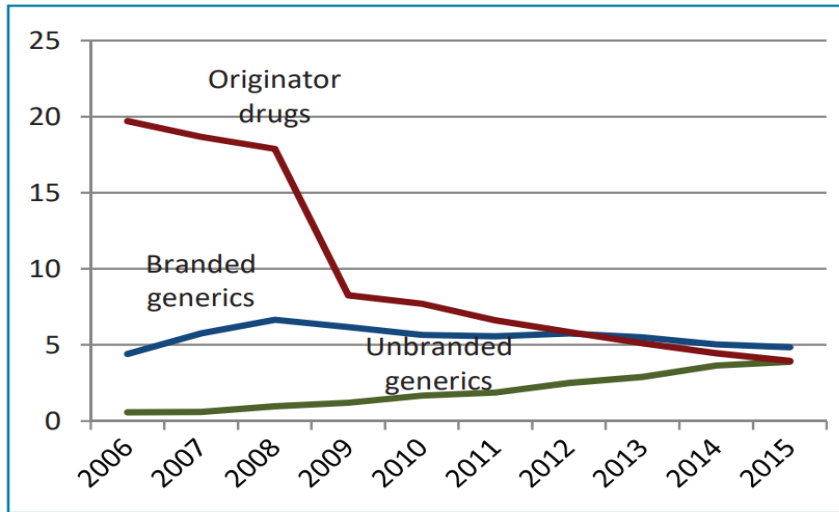


Benefits of Competition – Some Examples

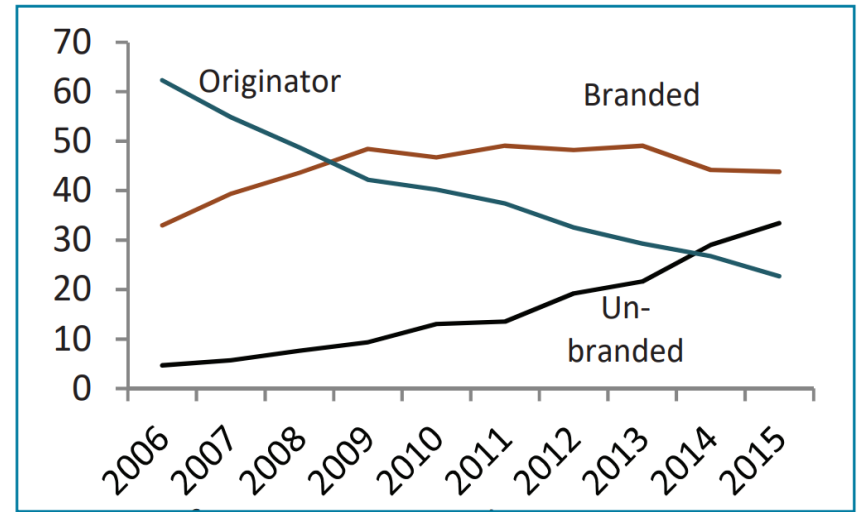
1. Cheaper medicine for all

Strengthening competition in the local medicine market is crucial to lowering prices.

Average prices of medicines by type of manufacturer, 2006–2015



Units of medicines (in million) sold by type of manufacturer, 2006–2015



Benefits of Competition – Some Examples

2. De-monopolization of Telcos

Early 1990s

Late 1990s



"Ninety-nine percent of Filipinos are waiting for a telephone and the other one percent for a dial tone..."
- Lee Kuan Yew, November 1992.

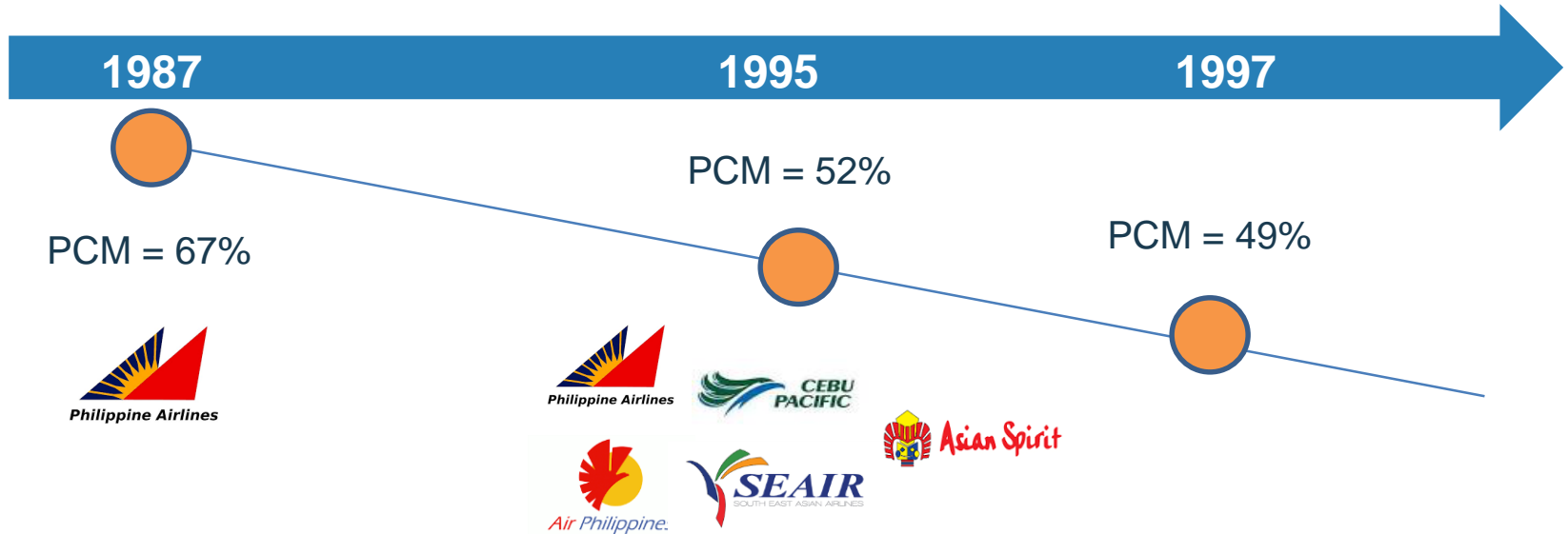


"This minimized the prices charged for calls within the same networks and made SMS a lot cheaper. The international calls have become cheaper, too. It was USD2.00 per minute before the liberalization.

At present, the charge for IDD calls from landlines is USD0.40 per minute."
(Cayanan and Suan, 2014)

Benefits of Competition – Some Examples

3. Lower margins in the Philippine Air Transport Industry

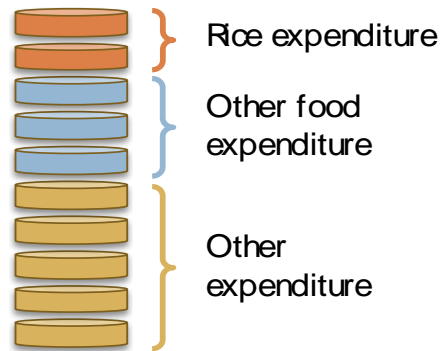


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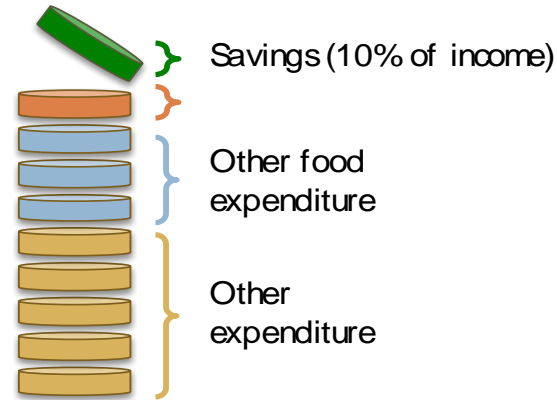
4. Philippine Rice Self-Sufficiency

- Operational strategy: quantitative restriction (QR) on rice imports; rice importation monopoly (State agency)
- Result: Retail prices much **higher** than in comparable countries; the poor spent over 20% of their expenditure on rice

Expenditure breakdown of the poor, Philippines (2009)



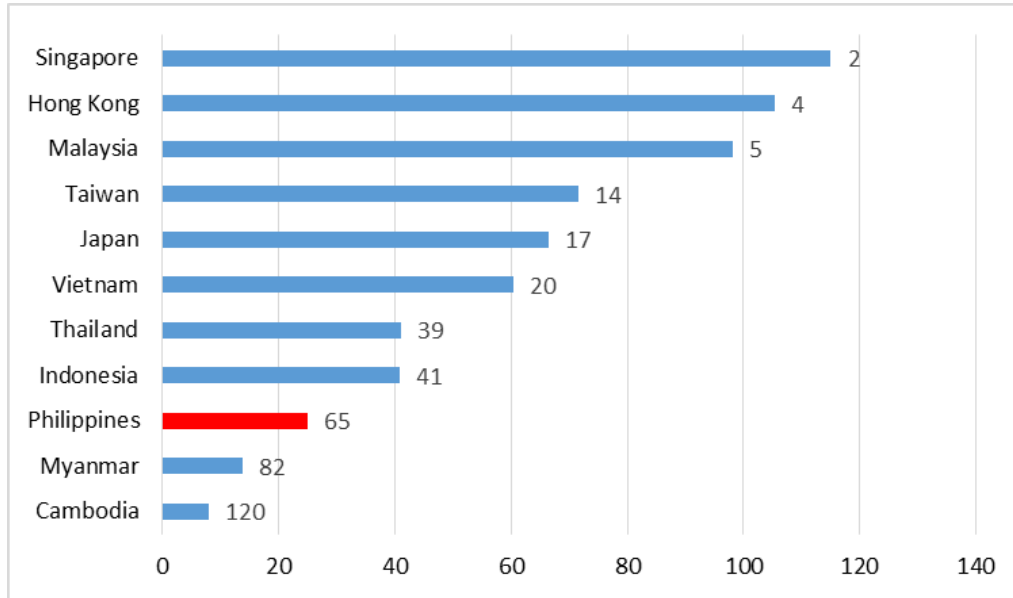
If the price of rice fell to the world price...



Benefits of Competition – Some Examples

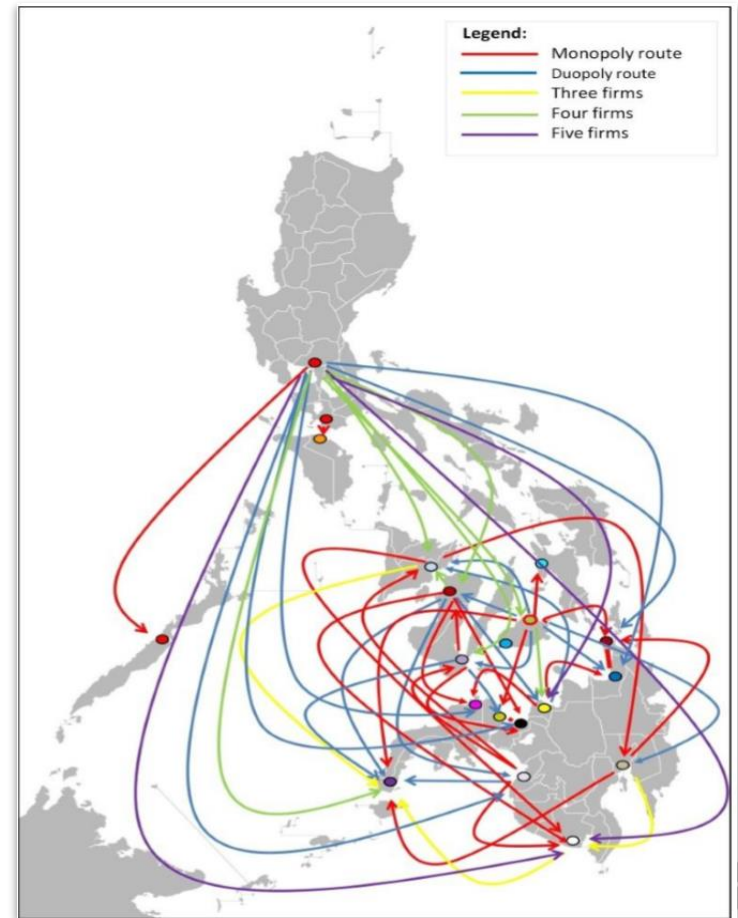
5. Domestic shipping: Potential Gains

Liner Shipping Connectivity Index, 2017



PH ranks very low in performance and connectivity indices

Source: UNCTAD, IFC and MARINA



Of around 54 primary routes, over 40 percent are served by a single operator.

Coordinating Implementation



- Coordinating with sector regulators & other government agencies to avoid jurisdictional and enforcement conflicts
- **MOAs** for policy coherence, streamlining of procedures & sharing of information & technical expertise



Summary

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Ensuring businesses compete and consumers benefit

Thank you.