

Dismantling of cartels

In an international conference on 2nd June, 2013 in Islamabad, experts from various countries termed cartels the worst competition infringement that resulted in an estimated price increase of 20-40 percent, while the estimated percentage of worldwide cartels in public procurement bidding was 25 percent. It was argued that a well-functioning market economy and business-friendly economic policies needed an effective competition component in their policy toolkit. Cartels undermine the competitiveness of a country's economy and unchecked cartels raise the cost of doing business, reduce a firm's incentive to become more efficient and innovative, render consumers to pay higher prices without any extra benefits while firms could earn higher profits for less effort. Former president of the Brazilian Competition Authority highlighted the importance of leniency in busting cartels and revealed that "as many as 20 leniency agreements have been concluded and many cartels sanctioned in Brazil." Summing up the session, CCP Chairperson, Rahat Kaunain Hassan said that cartels were a major drain on the world economy and leniency programme seemed to be the single most important tool to be used by the competition agencies to detect and dismantle cartels.

Although cartels have always been a part and parcel of various economies, yet the growing awareness about their negative impact in the recent past throughout the world, is certainly a welcome development. Now the popular slogan is that if you are pro-business, you have to be pro-competition and entities interfering in promoting competition need to be punished severely in order to guard against the practice. It

was clear that for fostering trade and investment, hence employment and growth, it was necessary to have a well-designed legal framework for competition and forceful action by the competition authority, specifically against cartels and bid-rigging. It was good to see that competition authorities of various countries have found leniency agreements as an effective weapon to fight the formation of cartels and other anti-competition groups. Leniency is a concession guaranteed to a cartel member who admits the contravention and also provides crucial evidence of the alleged cartel conduct of the accomplices besides committing to abandon such behaviour itself in future. Thankfully, CCP has done a very good job in dismantling cartels and weed out other monopolistic elements from the system in the last few years. Over the past three years, it has taken action against powerful cartels despite pressure from very influential groups. Also, CCP is one of the 110 competition agencies in the world which have leniency programmes in place. Leniency, for instance, was granted to Siemens to break cartels in switchgear and transformer markets. Hopefully, the international conference in Islamabad would be useful to spread the message that the world at large is highly concerned about the formation and existence of cartels and no stone would be left unturned to remove this wicked practice from free-market economies. Although leniency has proved to be quite effective, yet it would be useful to discover other instruments of cartel busting. In the meantime, we can take pride in the performance of CCP. At least, there is one area where we do not lag behind other countries.