

# 15<sup>th</sup> GLOBAL FORUM ON Competition



PARIS, 1-2 DECEMBER 2016



## **Opening Remarks by Gabriela Ramos** **OECD Chief of Staff, G20 Sherpa and Special Counsellor to the Secretary-General**

**15<sup>th</sup> OECD Global Forum on Competition, Paris, 1 December 2016**

Commissioner Vestager, COMP Chair Frédéric Jenny,

Colleagues, Ladies and Gentlemen,

I am delighted to open this 15th edition of the OECD Global Forum on Competition, and to welcome leaders and experts in competition policy from so many different countries.

Let me begin by thanking the European Commissioner for Competition, Ms. Margrethe Vestager, for joining us today. It is truly an honour for us to have you here. I would also like to thank the European Union for its strong support and fruitful collaboration, including in the area of competition. I am also glad to share the stage with the Chairman of the OECD Committee on competition, Frederik Jenny, a champion of this cause.

### **We are here to address key challenges**

Today's Forum takes place in a time of heightened uncertainty. On Monday we presented our November Economic Outlook. World growth is still stumbling along at around 3%, trade growth is slower still, and actually, for the very first time we are experiencing a slowing down of the expansion of Global Value Chains.

On the other hand, inflation remains below target in most OECD economies, despite central bank policy rates remaining near or even below zero. Most of the signs of the 'low-growth trap' that we have been talking about for a long time are still there.

To this complicated agenda, we should add the increased inequalities of income and opportunities in our societies.

Indeed, our analyses confirm that income inequality has reached unsustainable levels, with the top income earning 10 times of those at the bottom.

Wealth inequality is higher, as in some countries this ratio can be 70 times. And inequality of income and wealth brings inequality of opportunities, as poor children would receive poor education, and low skilled workers will be performing low quality jobs.

We have also confirmed that inequality hinders growth as the bottom 40 percent of the population does not invest in the skills of their children.

Vulnerable groups accumulate disadvantages. If you are born in a family whose parents did not reach secondary education, your chances to reach high school is only 15% compared to 65% of those whose parents school attainment is higher.

All these trends are further complicating the political environment and increasing challenges facing policy makers.

Many countries are experiencing growing political disaffection, anti-market sentiment and disenchantment with globalisation, largely provoked by the anxiety of those who feel left out. We just had an excellent discussion promoted by the Chairman of the OECD MCM, Denmark, on the backlash against international economic integration.

At the OECD we have been working in developing an agenda for inclusive growth that recognizes that inequalities are multi-dimensional, and need to be tackled in a comprehensive way.

And yes, competition policy is key in this endeavour. Lack of competition affects disproportionately the poor and disadvantaged communities, and in the context of the digital economy, we may witness a phenomena of the “winner takes it all dynamics” if we do not re-think and re-design competition frameworks.

But there are many ways in which competition policy has an impact. I mentioned the slowing down of trade growth and the reversal of the GVC. In this difficult context, the temptation to use protectionist policies to boost demand for domestic production is also high, despite world trade growth being already exceptionally weak. The ebbing of trade intensity weakens competitive pressures and is bad for productivity growth.

### Better policies for better lives

For 15 years the Global Forum on Competition has provided a unique forum where competition experts from all over the world come together to share ideas and shape policies. In particular, the Forum has played an important role in linking competition to many of the policy debates at the heart of OECD’s work, such as employment, corruption, poverty, commodities and price volatility, subsidies, industrial policy and the informal economy.

This year’s Forum discussion will feature a theme that is particularly pertinent in today’s world and is at the core of the OECD’s motto: the role of competition in reducing inequality and promoting inclusive growth.

But **let me focus on one aspect which is of particular relevance to competition policy: productivity**. While heterogeneity among firms is normal, the widening dispersion in productivity levels and its implications for aggregate productivity and whether workers benefit from overall growth is a cause for concern. It is clear from the OECD’s work that the rise in inequalities and the decline in productivity growth likely share common causes and can negatively impact on one another. We call this the NEXUS approach.

Our work on productivity has shown that the early 2000s saw labour productivity in the leading firms, those at the global technological frontier, increase by 3.5% a year in the manufacturing sector, compared to just 0.5% for non-frontier firms. The gap was even more pronounced in the services sector.

In the long run, this imbalance could condemn some workers and some regions to low-productivity, low-skills and low-wage jobs, with the risk of growing social tensions. The response is to ensure that a larger share of businesses and their employees can thrive, and here competition policy has a major role to play. By removing anti-competitive regulation in product markets; by removing barriers to entry we can stimulate productivity.

Strict product market regulation is a lose-lose. It undermines productivity growth and stifles innovation, whereas liberal product market regulation is not detrimental to innovation, as long as it is combined with strong protection of intellectual property rights.

And this brings me to my next point: that **we cannot look at policies in isolation**.

Competition policy has to be integrated with regulatory, financial and other relevant policies, such as tax and labour market reforms. This policy coherence can help ensure that new firms can compete with incumbents and facilitate the diffusion of innovations from leading to lagging firms.

Our work indicates that implementing regulatory reforms in product markets and labour markets jointly may be better than a “one-sided” reform<sup>1</sup> since product market reforms can imply a higher likelihood of job losses and of finding a job for people who are unemployed or out of the labour force.

### Global Forum on Competition

Today and tomorrow, we have a rich agenda to cover, starting with a discussion on **protecting human rights**, a difficult and complex issue rarely discussed together with competition, but it ought to be. Our economies and societies are changing rapidly as witnessed by the growing importance of Responsible Business Conduct, particularly in the aftermath of the Rana Plaza tragedy, as well as the exponential growth of what we have come to call “the sharing economy”. It’s important to shed light on how human rights, like freedom of speech, can help to foster competition by fighting corruption and increasing transparency in society.

We will also look at and share experiences of the use of **market studies as a tool to promote competition** by different competition authorities, building on the results of the OECD Competition Committee's work. The session presents an important opportunity for you to learn from each other, for us to learn from you, and to identify where we may converge and diverge.

You will also take a hard look at the issue of **independence of competition authorities**, a prerequisite for the effective enforcement of competition rules. Beyond the legal factors, this session will examine a range of tools to enhance de facto independence, such as transparency, which in turn ensures accountability.

Finally, breaking competition laws can be profitable if a company is not caught or fines are set too low, as evidenced by the continuous high level of cartel activity. This last session on **sanctions in anti-trust cases** will address the fundamental question of how to ensure an appropriate level of fines and other forms of sanctions necessary in order to achieve deterrence, punishment, compensation or other objectives.

Ladies and Gentlemen,

At the OECD we are thinking about economic and social challenges and how to address them; we are learning from data analysis and peer reviews, and from discussions with stakeholders, as we are today at this Forum.

So let's find the successful experiences and stories to reinforce international co-operation on competition law enforcement. I encourage you to speak openly and frankly of your experiences and ideas on how to find the best solutions towards building a prosperous, inclusive and sustainable world.

Thank you

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<sup>1</sup> <https://www.oecd.org/eco/outlook/OECD-Economic-Outlook-June-2016-promoting-productivity-and-equality.pdf>