

INAUGURAL ADDRESS BY SHRI PREM CHAND GUPTA
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AT THE NATIONAL CONFERENCE ON THE
STATE OF COMPETITION IN THE INDIAN ECONOMY
AT HOTEL LE MERIDIEN, NEW DELHI
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I am delighted to be with you this morning at this national conference on the state of competition in the Indian economy.

Friends, India has emerged as one of the fastest growing major economies of the world. The economic policy measures initiated particularly since the 1990s have contributed in this process immensely. The economic liberalization measures are now yielding results.

The setting-up of the High Level Raghavan Committee was a major step in initiating fundamental reforms in the Competition law of the country. While the economy has been responding well to the process of deregulation and to the liberalization of economic policies, the need for anchoring such liberalization on firm ground through necessary reforms in the competition law had been felt universally. The Competition Act, 2002, enacted after wide consultations with all the stakeholders, was the culmination of such a feeling.

The idea of replacing the MRTP Act, 1969 with the Competition Act, 2002 clearly reflects the shift in the focus of the Government from curbing monopolies to promoting competition. The Government had enacted the MRTP Act in view of the circumstances prevailing in 1969 to prevent concentration of economic power and to prohibit the restrictive trade practices. This Act has been in operation for over three decades. In the changed national and international scenario today, the basic objectives of the Competition law are to promote and sustain competition in the market, to ensure freedom of trade and protect the interest of the consumers. These objectives are sought to be achieved through a modern Competition law to be enforced through an independent authority, namely, the Competition Commission of India.

Ladies and gentlemen, promoting competition is an important agenda in the National Common Minimum Programme of the UPA Government, which envisages-

I quote

"It will not support the emergence of any monopoly that only restricts competition. All regulatory institutions will be strengthened to ensure that competition is free and fair. These institutions will be run professionally"

Unquote

Private enterprise and initiative plays a major role in taking the country to higher growth path. Government's role is to provide a conducive atmosphere in which business can flourish. The Competition Act, 2002 recognizes the need for freedom of action and initiative by the enterprises as against the pre-reform mindset of viewing the business and its growth and expansion with suspicion.

It is a matter of satisfaction that the Indian economy has been growing at a fast and steady pace for the last a few years. A number of factors are responsible for this happy situation. However, there are a few challenges before the nation. These include, on one hand, the need to accelerate the growth rate to double digit and ensure that it is sustained in the long run and on the other hand, make the growth more inclusive. Corporates have a major role to play in this growth story. In the wake of economic liberalization process initiated in the country about two decades back, importance of the contribution of the corporate sector in the economy has been increasing day by day.

In order to convert our dreams into reality, we have been taking a number of measures. These include:

- Providing a modern, simple but effective legal frame-work to the corporates and those who assist them
- Providing efficient and transparent administering machinery to enforce the laws and
- Providing the best service delivery mechanism

Taking-up re-codification of the Companies Act, 1956; reforms in the laws governing professional institutes of Chartered Accountants, Company Secretaries and Cost and Works Accountants; introducing a new law on Limited Liability Partnership, introduction of e-governance through our MCA 21 project; notifying the Accounting Standards and bringing our Accounting Standards almost at par with international Accounting Standards and our commitment to operationalise the Competition Commission of India at the earliest are amongst the major initiatives taken by us in less than 3 years.

While government does its best to remove administrative and other impediments in the path of economic growth, there is a tendency amongst business enterprises, especially those enjoying exclusive rights or dominant position in the market, to create barriers through anti-competitive behaviour. The harm caused by anti-competitive practices such as horizontal agreements, including cartels, price fixing, bid rigging, quantity limiting or market sharing is well known. The Competition Act provides adequate provisions to deal with such situations effectively. By promoting and maintaining competition in the markets, the Competition Commission's role enhances efficiency in the market and maximizes consumer welfare.

You are aware that following certain litigation before the Hon'ble Supreme Court, the Competition Act, 2002 is in the process of being amended and we expect the process to be completed soon.

I sincerely believe that the Act will be enforceable and the Competition Commission of India will be fully functional at the earliest. Meanwhile, the Commission has been undertaking advocacy and capacity building work.

I am happy to note that the Commission has been taking a number of initiatives by way of organization seminars, workshops and training programmes. The programme of the Commission on research studies related to competition issues is very useful and that is why World Bank, FIAS and DFID are supporting it. I understand that the advocacy material being circulated by the Commission has also been well received by the stakeholders. The 'internship' programme of the Commission is an important initiative.

The importance of competition advocacy cannot be overemphasized. For creating and maintaining competition in the market, enforcement of the Competition Law alone is not sufficient. The Competition Commission has a crucial advocacy role and it has been energetically undertaking its functions. In a number of cases, we find that the awareness of competition law is rather weak. CCI will do well to address these issues with a lot more enthusiasm.

One of the major activities on the advocacy agenda of the Competition Commission is the commissioning of research projects/market studies on the state of competition in various sectors of the economy and also on major competition related issues. I am told that the Commission has commissioned 12 studies, of which 7 have already been completed. The Commission has prepared advocacy literature on some provisions of the law and is in the process of completing others. These will provide valuable insight to the public in understanding the law.

As has already been highlighted by Shri. Dhall and Dr. Kelkar, these studies serve a number of objectives: (i) awareness about the importance of competition in the market and the level of competition in specific sectors; (ii) sharpening the Commission's insight into the structure and dynamics of the market; and (iii) capacity building for the researchers and other stakeholders. The studies have covered competition issues in a number of sectors of importance to the national economy. The conclusions that have come out are independent views of the researchers and these will have to be looked at critically by this conference. However, it certainly is a good beginning.

I can see here a large gathering of distinguished guests, academicians and researchers from different parts of the country. I welcome all of you and wish that the deliberations here would be useful and beneficial for all concerned.

With these words I inaugurate this “National Conference on the State of Competition in the Indian Economy” organized by CCI in collaboration with World Bank, FIAS and DFID.

Jai Hind