Competition policy and laws matters for small and medium size businesses

Small and medium size enterprises can be vulnerable in a globalizing world. Examples in CARICOM and other countries have shown that competition legislation can protect them from anti-competitive business conduct.

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During the Annual General Meeting (AGM) of the Suriname Trade and Industry Association in June 2013 an excellent presentation was held by Mr. Hans Lim A Po on the proposed Competition Bill of Suriname, which is based on the CARICOM Model Competition Bill. The introduction of legislation in the area of competition is necessary in order to put in place the legislative, administrative and regulatory arrangements for competition in Suriname, since this is a Treaty obligation. Members of the Suriname Trade and Industry Association are urged to obtain a copy of the presentation in order to start to familiarize themselves with the proposed Competition Bill.

Whenever the introduction of new laws is being discussed or new laws are being introduced persons and businesses tend to wonder how they will be impacted. Sometimes there are also complaints that the Government wants to legislate for every problem or issue. With respect to competition legislation there is no need to complain, because businesses, especially small and medium size businesses, can reap various benefits from countries having the necessary competition infrastructure in place. This is especially true in our contemporary world, since regional integration, trade liberalization and foreign direct investment might result in greater and fiercer competition issues for businesses, especially since national markets can no longer be shielded from competition.

The main benefit of having a competition infrastructure in place for small and medium size businesses is the fact that it must and will protect them from anti-competitive business conduct. Experiences elsewhere have highlighted that without competition law and policy and a Competition Authority, small and medium size enterprises might be too vulnerable to survive in the free market. Enterprises with a dominant position, for example, might opt to eliminate small businesses in order to gain even greater market dominance, so they are in a stronger position to face competition from regional or other foreign companies. But, there are other less drastic ways how companies can abuse their dominant position. In the European Union, for example, the European Commission raided the offices of several European telecom companies early July 2013 to investigate a complaint filed by a US competitor that these companies were abusing their dominant position as Internet Service Providers to restrict competition and drive up access costs for competitors and data-heavy content providers, such as Skype and YouTube.

Small and medium size enterprises can also be impacted by anti-competitive business conduct, because the buyers of their products or produce have decided to only offer a certain price, which might result in lower profits or even losses for these small and medium size enterprises. For example, farmers in the United Kingdom had accused British supermarket chains some years ago that they were engaging in anti-competitive business conduct by offering low prices, which was resulting in economic difficulties for many farmers, while the supermarket chains were making huge profits. In South-Africa last year in October a couple of major international oil companies were accused of collusion to fix diesel prices for more than 15 years, thereby negatively impacting the operations of small and medium size enterprises.

There are various ways in which anti-competitive business conduct can impact on small and medium size enterprises. Competition law and policy should therefore matter to small and medium size enterprises, because they are usually one of the first victims of anti-competitive business conduct together with individual consumers. An environment, where competition is not distorted, is thus in the interest of small and medium size enterprises.

Some of the benefits of competition for businesses from the perspective of operating as both a consumer and producer of goods or service are:

- greater choice, because a broader range of products and services are offered;
- greater value for money, because companies usually compete on price and quality;
- greater innovation, because businesses will try to gain a competitive edge by creating and introducing new products and services; and
- greater productivity, since costs must be reduced in order to offer customers the most attractive prices.

Competition has the ability to support economic growth and efficiency, when it results in greater choice and value for businesses on one hand and innovation and productivity of businesses on the other hand. Actions of the Government to introduce competition policy and laws are thus not a bad thing, but should be supported. A comprehensive public education campaign will be necessary to increase the awareness of the business community concerning competition matters, in particular the role, functions and powers of the Competition Authority of Suriname. The same applies to the CARICOM Competition Commission, which is headquartered in Paramaribo, since it is dealing with cross-border competition matters in the Caribbean Community.