

**Transcript of the Inaugural speech delivered by Smt. Nirmala Sitharaman,
Hon'ble Minister of State for Commerce and Industry (Independent
Charge) Government of India, on 2nd March 2017 in the Inaugural Session
of National Conference on "Economics of Competition Law" at India
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Good Morning! Chairman of the Competition Commission of India, members who are here, former chairman, former members, invited specialists and the academicians who have come from different parts of the country and from outside, panellists, people who have submitted their papers and distinguished audience. I am honoured to be here. I also see the purpose as to why just not the inaugural, I should have been here to listen to all the discussions which are expected to happen. However, of course I would certainly look forward to having the outcome of the proceedings. The second edition of the conference which the Commission has decided to hold within a year after holding the first one underlines the recognition by the Commission of the need to have a constant dialogue and keep abreast of all the developments which are happening in the globe on matters of competition. And I think an annual engagement is going to be so rewarding for the policy makers, particularly for a country like India.

We all know the reality of India. We are a country in a hurry, wanting to move very quickly forward. At the same time we are also an economy which is very conscious of what it has inherited over the past 60 years. I am not here to blame anybody but it's a matter of fact that we are shifting from one model of political economy to another and the critical transition phase could have been from 1991 to say, 2000 and so on. However, the transition seems to be a longer transition as a result of which a Commission like the Competition Commission has a very big challenge before it and holding an annual discussion like this, therefore becomes even more a necessity. You have recognised the necessity and I am happy for it. The transition is being protracted and the things which could have been otherwise settled even within the first year, the first decade after 1991 are getting played out even now. As a result of which you are still talking about Public Sector Undertakings, you are still talking about keeping alive some Public Sector Undertakings which you could otherwise wish away within the first decade of the opening up of the Indian Economy.

But that's not to be as I have said for whatever reasons, for political or other compulsions, this transition, is getting stagnant. This constant picture of aspirations are being discussed today in all platforms. Not just where the discerning audience sit, not just where economists sit and talk

about how to have this seamless transition but it is getting played out at micro level as well at the macro level in various different platforms, at once exacerbating the situation with which we are dealing, at the same time informing us better in handling policy. And therefore even as I would want to say a few things about what government thinks that we want to do or to look at the Competition Commission's last few years achievements, I am also probably going to be in a not so desirable position of wanting to respond to Arvind Subramanian. It's very easy and I am not saying it's easy for him, but it's easy for all of us to say why India doesn't want to move faster. I would like to ask that question too, but then to compare India with Singapore, or with China on parameters which are placed to be in a different context leads us to either frustration or to sound helpless. I don't want either. We have to be a bit more realistic and to think that Singapore being a more open economy not requiring competition law itself answers the question as to why we want a Competition Commission which has to be dynamic.

The transition is protracted, we are changing at a pace which could have been faster. At the same time can we be an open economy like Singapore straight away? Not possible, given our social, economic conditions. Our growth, our development are not really evenly placed all across the country. Would we be doing the right thing to say open up, open up at any cost. So I think I would want to place this debate and that is what the government is also trying to do in terms of the way in which it is handling various policy questions. I think it's important to place this debate, learn from all quarters, but also temper down. It's difficult to say, pardon me, for you know for want of better terminology I think we have to temper down the aspirations somewhat when it comes to execution of policy. We have to meet the challenges of aspirations, but we really can't say why can't we be like Singapore today and open up without certain Regulatory Mechanisms in place. I would like to do that but no I think the reality demands that we need a dynamic Competition Commission. A dynamic Competition Commission which periodically nuances its position in terms of regulations and does not become a blunt instrument, wielding powers in terms of controlling the economy. So nuance is what we want from the Competition Commission and there are quite a few examples which shows that the Competition Commission has stood up to the expectations.

Hasn't the Competition Commission in the last month ensured that there should be fair play by penalising the rigging of bids for supply of Cement to the government. Isn't that a classic case? And also I think it's important to recall here the use of procurement of brushless DCs fans by the Indian Railways and in August last year, the Commission penalised the cement cartel for the anti-competitive behaviour. These are very very studied responses towards the society

which has to take on board the fact that public procurement have also been opened up to fair competition.

What is the extent of public procurement in India, I am sure that none of us is going to be surprised for data, but it is the fact that today 30 percent of our GDP in India, goes under public procurement bracket, and most of it is coming from defence, railways and telecom sector. So here we go, you still have Public Sector Undertakings, you still have public procurement and you still therefore will have to open up layer by layer. And till then shouldn't we be requiring a Competition Commission to make sure that, even at this transitional stage we are being fair. I was glad when I was listening to the President of US talking about fair trade.

You are talking about commerce, being here to understand about Economics of Competition and therefore trade being influenced by the competition law, which itself will partly open up the economy and so on. Yes! No doubt, but we are not in international trade in isolation, we are in international trade with global players very actively engaging with us. And in that if there are references to fair trade it just gives me a lot of hope. Because that's where the engagement will have to be when you are talking about trade and trade practices.

So the collusive bidding business as well as the cartelisation related issues are of serious nature and that's where I think today the Competition Commission of India has a very very important role to play, play for fair trade, play for the ultimate consumer benefit and that's where the first postulate of Arvind Subramanian telling us that not pro-business but pro-consumer, pro-fair practice is a right line. But nobody is wanting to be pro-business at the cost of consumer. And I am sure that the Competition Commission is quite seized of that.

Entry, exit are very critical thing when you are talking about fair trade, fair practices. And most often this is being discussed several times in the Parliament. Most often companies find it difficult but yet possible to come and set up business in India. The ease of doing business debate which has been going on for last two years, in which all of us are very intensively engaged, is to gradually make it simpler for people to come, and attract people to come and set up businesses. But simultaneously, the Bankruptcy Code which came in the Parliament was aimed at making exit also easier. I have repeated this when I am talking about start ups particularly in context where you tend to take laws more favourable to the big businesses. The small ones are really not getting the fair play. Exit is the biggest trouble for the small businesses and they also carry a certain black spot as it were because, if someone loses out in business

once, to close his business and go away, there is a social taboo like situation where he can't open up another business again.

But what are the situations that led him to collapse in his business? Was it even after fair play? Has he been given a level playing field? Most often not, and on this I think I was quite happy to hear the Chairman also say that you are looking at sectoral implications and also situations which prevail to see how competition got to be studied, assessed in each of these areas.

I think India which has inherited a lot of small businesses, which are in no way in comparison with the small businesses of Germany, have severe problems in terms of survival in this age where we don't want to be pro-business nor do we want to be against business, big businesses, but at the same time, the search is for a level playing field for all of who come with investment.

The last few months I think the discussion is far more on seeing how India would fare in terms of innovation, how India would fare in terms of investment because of better environment and is India really competitive in various sectors. None of which can be attained, better investment, competitiveness or your innovation capabilities cannot be attained, unless there is a level playing field. And for this sectorally studying the economy to see, first of all, whether there is a level playing field available and if not is it legislative or anything else governing, or the policy curbing them from having a free play.

I think these are the kinds of strands, which will have to come into policy making, otherwise it's just going to be many more people telling us that there are too many blunt instruments and no nuanced response.

It's always tempting to compare the situation which prevails in India and then say that, you are better off or worse off than China. But I think in this transitional phase, we have repeatedly proven that the caution with which the Regulators are functioning, the caution with which decision-making is happening in the government are to balance the privatisation process with supporting the private sector, rather than regulating them too much. And therefore when you tried comparing with the route China took which led to oligarchy, which Russia took, which again led to a lot of oligarchy doesn't fare well for me as a point of comparison at all. Because our economy is clearly moving from one stage to another, through a very cautious and well planned out middle path. We are not jumping from a completely publically centrally commanded economy to a totally private one. We are trying to balance the two and therefore, one is very conscious. Even the way in which, from MRTP you moved over to Competition

law between 1969 to 2002, itself shows that the transition is being carefully monitored and advanced. And therefore this attempt to in a way project, that government should speed up privatisation itself will have to be looked at cautiously, so that we do not lead to a situation where public assets are thrown away for one or the other consideration resulting in an undesirable outcome. We have to balance it, as I said, the model that we have chosen to move away from a centrally commanded, social structure, to a free economy will have to factor in India's particular needs socio-economic needs. And the demographic dividends about which we are constantly talking cannot be served well unless we take these realities into mind.

So Competition Commission is still work in progress, if Arvind Subramanian had to say that, I would think that it is not work in progress, I think Competition Commission in India is striving to be a dynamic institution, so that it responds literally in real time to the requirement of the Indian Economy. So I won't think that it's a work in progress, but it has to continue to be a dynamic institution rather than be fixated about a point. Today where we are, it has to be buoyant, it has to keep moving, it has also to take into consideration the peculiar needs of India, rather than compare it with China or Russia or Singapore.

There are enough number of cases where I think the Commission has taken a very studied view. It is trying to look at the developments which are very rapid in some sectors, telecom sector for instance, where I think as a country we have achieved nearly 86 percent coverage and we are also looking at how that kind of opening up is benefitting other sectors too. If telecom sector could have that kind of benefit, 100 percent in urban area and about 67 percent in rural area is not an easy thing. But at the same time that is where the challenges of competition are coming, challenges of monopoly or oligopoly performance are coming in. And these are not balanced situations or the agreements that companies get into are far more nuanced into greater details and therefore the kind of work the Commission has to do is getting too much into technical details too. Therefore the kind of experts who have to counsel, who have to work with Competition Commission is now becoming even more sophisticated and therefore the Competition Commission probably, for every such sector where you find rapid movement in India, whether its telecom Arvind Subramanian did refer to fertilisers, today the requirement of fertiliser itself is changing. There is a push from the government, not to go on the fertilizer or pesticides route, and we are trying to talk about micro-nutrients. What is the extent of fertilisers or pesticides route that we would need in this country and if you look at it therefore, the kind of fertilisers and fertiliser policy that we have will also have to be looked at from the point that what is it we want, eventually as a product for agriculture.

So the sectoral specialisation that is required for informing Competition Commission to take a bit more considered and discerning position is of critical value and that's where I would think that the Commission will have to plan well. So that, identify sectors in which there is lot of interest, in which investments from abroad are coming in because they see potential, but that's where caution will have to be kept to see that hidden oligarchies don't work, cartelisation doesn't work, interest of consumers takes precedence, and ultimately it's a question of fair play because that's where the difference is going to come out. And I will borrow the words of Former Prime Minister and also Martin Wolf who recently requoted it "we are at a time where we are once again having a tryst with the destiny".

I think it's the time for every institution, particularly regulatory ones to not perform regulatory, it's difficult to say that not to perform as regulatory, but more as facilitating organisations. Just so that they build awareness and make sure that people are not going towards violations of any such law that prevails in this country rather than come up with big axe to hit them down after the violation has taken place. Preventive steps are things in which Competition Commission like institutions and the policy makers will have to spend lots of time so that awareness is built among people not to bypass or overlook or violate existing laws.

So I am thankful to the Competition Commission for giving me an opportunity to be here. I look forward to the outcome of the deliberations and I am sure that government will benefit from the inputs that will come.

Thank You very Much