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# circular

Covering developments in the area of research, training and education on public policy issues



## Competition & Regulation in India, 2007

A Panel Discussion on 'The Political Economy of Regulation in India – what do we need to do' was organised under the aegis of CUTS Institute for Regulation and Competition (CIRC) in Mumbai, on October 16, 2007. The discussion aimed at evolving a consensus on the implementation of an effective regulatory regime in India. It also set the stage for the release of a report brought out by CUTS entitled, 'Competition & Regulation in India, 2007' by Dr C. Rangarajan, Chairman, Prime Minister's Economic Advisory Council.

The panel discussion was chaired by Dr Rangarajan and comprised distinguished panellists, such as Rakesh Mohan, Deputy Governor, Reserve Bank of India (RBI); G N Bajpai, Former Chairman, Securities and Exchange Board of India (SEBI); Arvind Mayaram, Joint Secretary, Department of Economic Affairs; and Nitin Desai, Former Under-Secretary General of UN for Economic and Social Affairs.

Pradeep Mehta, Director General, CIRC welcomed all the panellists and guests. He thanked the British High Commission, New Delhi for supporting the project entitled, 'Competition & Regulation in India, 2007'. He said that "the country requires huge amount of investments in infrastructure and it cannot attract this type of investment unless it deals with various constraints and one of the crucial factors is the need of proper and predictable regulation in place, and whether there is independent regulation or not".

At the release of the Report, Dr Rangarajan, observed, "the report highlights various competition and regulation concerns present in India and stresses the importance of understanding how the market operates and kind of regulation required".

While delivering the vote of thanks Nitin Desai said that we have to strengthen the discipline which brings law and economics together as things cannot be left to the lawyers alone. He explained that three sets of players are involved in the system: consumers, producers and politicians. Consumer and producer interests are very clear and well defined but the matter of worry is political interest. Within the governance system the support for the idea of an autonomous and independent regulator is largely there amongst the technocracy. Alas, there is no commitment to this amongst the politicians. They are not interested in an independent regulator; in fact they are not even interested in a well functioning public sector. He cited the example of water supply and city transport in Delhi where most of the tankers and blue line buses are owned by politicians. Is there a real buy-in to the idea of an efficient economy, an economy based on the rule of law and which serves the interest of the common citizen?

Desai concluded that by opening up the discussion of such issues in this Report, we can create a genuine public discussion on political economy of regulation in this country and not just the technicalities. The greatest challenge is to get political buy in, and the rest can take care of itself.

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## What's Happening – An Overview

### Skills Development Mission

The Government is planning a skill development mission for encouraging the latent entrepreneurial energies of people. This measure is being taken to address the problem of skill deficit, which would contribute in achieving nine percent growth during the 11<sup>th</sup> Five Year Plan which is expected to create 70 million jobs between 2007-2012. This is chiefly being done in the informal sector where 90 percent of workforce is employed.

The Government's role is undergoing a change from a vocational training provider to a facilitator and partner in employment generation and skills development. A proposal is being prepared to develop industrial training institutes in partnership with the private sector.

(BL, 22.11.07)

### Australian Institute in India

Development Beyond Learning (DBL), an Australian firm providing corporate training and development has opened an Institute in Pune. DBL would also open its branches in Mumbai, Nasik, Hyderabad, Chennai and New Delhi.

A team of trainers from Australia would execute the programmes till local trainers come at par with the company's international standards.

About 250 training modules and 35 pre-designed programmes would be offered by the DBL. Training would focus on leadership, executive motivation, customer service, communication, processes and planning, presentation skills, business writing and six sigma lean.

(BL, 10.12.07)

### Skills Training: Need of the Day

The Government is planning to set up 400 new technical institutes across India for training youth in the emerging skill areas – *need of the day*. Help is being sought from the World Bank on this project. New courses would also be introduced in these institutes. Due reservation in these upcoming institutes have been provided for women and weaker sections of the society.

The Government recognises the need and dearth of skilled training and is thus taking adequate measures to address this need.

(BL, 17.12.07)

### Under One Umbrella!

The Prime Minister-appointed National Knowledge Commission (NKC) has suggested that All India Council for Technical Education (AICTE) be divested of control over management education institutes. As per the NKC, current regulatory regime focuses on punitive actions rather than on nurturing institutions. NKC proposes an autonomous Standing Committee for Management

Education to be set up under Independent Regulatory Authority for Higher Education. The Human Resource Development Ministry too had proposed an umbrella regulatory body, under which all educational regulatory bodies like AICTE could function.

As per the NKC, Standing Committee's main role would be to "exercise due diligence at the point it approves a licence to grant degree/diplomas. It would also assess the academic credibility and financial viability of the proposed institution". It would provide licence agencies to take care of accreditation, collate and communicate information on management institutes, conduct demand forecasting of managerial manpower and develop and monitor a low cost e-monitoring system. NKC also suggested independent rating agencies to assess and categorise these institutes to help markets function better, and enable students and employers to compare among these institutes.

NKC also suggested providing incentives to Indian entrepreneurs and corporates to set up institutions of excellence on their own or in collaboration with foreign universities.

(ET, 13.11.07)

### Free Online Courses

Yale, one of America's leading universities, is making some of its most popular undergraduate courses freely available around the world through the Internet with Mumbai University among the participants.

The Project, called 'Open Yale Courses' (OYC), allows anyone with Internet access get the Yale College courses online, for free. There is no 'enrollment' in the courses and Yale does not offer credit for those who use the course materials.

OYC presents unique access to full content of a selection of college-level courses and makes them available in various formats, including downloadable and streaming video, audio and searchable transcripts of each lecture. Syllabi, reading assignments, problem sets and other materials accompany the courses.

Other participating universities include those in Argentina, Bahrain, China, Ethiopia, Japan and Mexico.

(ET, 13.12.07)

### Doing Business in India

India has improved its ranking by 12 places and come to 120<sup>th</sup> position, as per the Report of World Bank and International Finance Corporation (IFC). The Report ranks 178 economies on the ease of doing business. There are suggestions that if best regional practices are adopted nationwide, India could jump up 55 places and rank better.

The Report chose a city in every country, which was most representative of various indicators and for India it chose Mumbai. India would have fared better if the top scoring locations were taken instead of Mumbai. Jaipur fared better than Mumbai for starting a business, Bhubaneshwar was better in dealing with licences, enforcing contracts and paying taxes. Hyderabad was better in registering property, while Chennai and Bangalore were better in trading across borders and in closing business respectively.

It was also reported that the Government is working with the World Bank to initiate reforms in Mumbai, Hyderabad, Kolkata and Delhi, focusing on indicators such as starting a business, dealing with licences, registration of property, trading across borders and paying taxes.

(FE, 06.12.07)



# Fair Competition Vigilance

– Pradeep S Mehta\*

As India is now in a position to operationalise its new Competition Act, 2007, it is worthwhile revisiting some of the drivers for it. The need for a competition law becomes vital when a country adopts economic reforms aimed at converting a command economy into a market-oriented one in which the private sector plays the lead role. India adopted economic reforms in the early 1990s, by shifting to market economics. We have moved in the right direction, though at a slower pace than required, which has meant that markets are still not as vigorously competitive as they ought to be.

One should not confuse a free market with a free for all. Regulation remains essential, the objective being to ensure competitive markets so that the best possible choice, quality, prices and supplies of goods and services are offered to consumers and businesses.

Accordingly, changes are being made in the economic governance system. These include changing government policies and measures, amending existing legislations or enacting new ones such as the new competition law, and establishing dedicated regulatory bodies in utility sectors such as telecom and electricity. All such measures are designed to ensure that markets function well under the new economic policy regime and yield the desired results. But new policies and laws alone are not going to help much, unless the key stakeholders (consumers and businesses) are familiar with competition and regulatory issues and the nature of prevailing market practices. The lack of understanding of the nature and extent of anti-competitive practices in prevalence poses a major challenge.

In 2006-07, Consumer Unity & Trust Society (CUTS) developed an India Competition Perception Index to assess the understanding that informed stakeholders have of competition and related regulatory issues. The findings are that perceptions of competition in the country are neither too good nor too bad. If the 'informed' score only moderately well on competition perception, one can picture the awareness of lay people who are also market participants. Even after the one and a half decades of reform, progress on competition and regulatory issues is slow, and anti-competitive practices still prevail in the market at large.

Stakeholders are more familiar with the level of competition prevailing in the market than with the nature of market practices, regulatory bindings and competition rules, effectiveness of competition and regulatory

authorities, and the impact of government policies and measures on competition.

The reason for this difference may be that the level of competition is relatively tangible, while other parameters surveyed are not that easy to understand. Competition can be felt in the market in various ways that are observed to increase consumer welfare, such as greater choice and lower prices.

Yet, only 26 percent of respondents are aware that unfair trade practices have been omitted from the purview of the Competition Act (academia: 19; business: 32; CSO: 18; government officials: 27; media: 34; and others: 35 percent). Only 6 percent respondents are aware that mergers above a certain threshold would come within the purview of the Competition Act, and that pre-merger notification was voluntary (academia: 11; business: 4; CSO: 17; government officials: 1; media: 2; and others: 7 percent). This has now been made mandatory under the 2007 Act.

The reason for low awareness scores on parameters like nature of market practices (35.84) and awareness of competition and regulatory issues (39.39) may well be that since key provisions of the competition law have not yet been brought into force in India. There have been no cases taken up for public discussion either. This is serious because ignorance about

the nature of prevailing anti-competitive practices may lead to the exploitation of stakeholders. Advocacy and effective regulation can play an important role to ensure that this does not happen, and there is certainly room for improvement.

The survey also indicates that, so far, competition and regulatory authorities have not been effective in controlling anti-competitive practices. In many cases, these agencies have not even been effective in enforcing their own orders at local levels.

The task of providing a level playing field to both the public and private sectors is an important one, and here too, much needs to be done. While the need for a competition policy and law is now much better recognised, progress towards scoring real achievements has been slow and haphazard. Evidence of anti-competitive behaviour is found in virtually every sector of the Indian economy. With the adoption of the Competition Act, hopefully, awareness levels will scale a new peak, and as enforcement processes get going, consumers and businesses will, at the very least, begin to identify anti-competitive practices prevailing in the market.



www.images.com

\* The author is Secretary General, CUTS International, and Director General, CIRC. These are his personal views.

Event Archive

**Panel Discussion and Report Release**

A Panel Discussion on 'The Political Economy of Regulation in India- what do we need to do' was organised in Mumbai, on October 16, 2007 with the objective of evolving a consensus on implementation of an effective regulatory regime in India. The discussion was chaired by Dr C Rangarajan, Chairman, Prime Minister's Economic Advisory Council and moderated by Pradeep S Mehta, Director General, CIRC. The said discussion also set the stage for the release of a report under a project implemented by CUTS International entitled, 'Competition & Regulation in India, 2007'. The Report takes stock of how competition and regulation prevails across sectors in the country and comes out with recommendations as to what still needs to be done.

For more details, please visit: <http://www.circ.in/pdf/PanelDiscussion.pdf>

**Developing Skills on Commercial and Economic Diplomacy (CDS.03)**

A training programme on 'Developing Skills on Commercial and Economic Diplomacy' for junior-level Civil Servants and Executives was organised in Jaipur, during October 22-26, 2007. The Department of Commerce, Ministry of Commerce and Industry, Government of India supported CIRC to conduct the training programme to address the need to fill the vacuum that exists in terms of absence of institutional base to offer training/educational programmes on commercial and economic diplomacy in India.



The training programme was attended by 32 participants comprising government officials from various ministries/ departments of the Government of India handling work related to international trade and negotiations on various bilateral, regional and multilateral issues. The experts involved in the training programme were: Ahmed Farouk Ghoneim, Associate Professor, Cairo University; B K Zutshi, Former Indian Ambassador to General Agreement on Tariffs and Trade and Member, Governing Council Member, CIRC; Kishan S Rana, Former Ambassador of India, Senior Fellow, DiploFoundation; Suhail A Nathani, Economic Law Practice; Bipul Chatterjee, Deputy Executive Director, CUTS International; and N C Pahariya, Associate Professor, University of Rajasthan.

For more details, please visit: <http://circ.in/CDS03/Pdf/EventReport-CDS03.pdf>

**Academic Lecture on 'Current State of the Doha Round of Negotiations' (ALS.08)**



CIRC organised an interactive session with Ahmed Farouk Ghoneim, Associate Professor, Faculty of Economics and Political Science, Cairo University, Egypt on 'Current State of the Doha Round of Negotiations' in Jaipur, on October 26, 2007.

The participants in the interactive session were government officials, academics and experts based in Jaipur. This lecture was organised keeping in mind that the target audience does not often get a chance to take part in such interactions and thus CIRC brought in this distinguished professor to address this gap.

For more details, please visit: <http://circ.in/erALS08.htm>

**Calendar of Events**

- Training Seminar on 'Strengthening Skills on Commercial & Economic Diplomacy for senior-level Civil Servants and Executives' (CDS.04) in Jaipur, during January 09-12, 2008.
- Training Workshop on 'Competition Policy & Law for Ethiopian Ministry of Trade and Industry', in Addis Ababa, in March 2008.
- Training Seminar on 'Competition Policy & Law', in second quarter of 2008.

**Views**

"I take this opportunity to congratulate you on the initiatives taken by the Institute and wish you all the very best in your endeavours".

K V Kamath  
Managing Director & CEO, ICICI Bank



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