

Competition development in the BRIC countries: Towards a unified international economic space

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The aims of the study:

- ❑ to investigate economic development of the BRIC countries
- ❑ to understand the fundamental importance of interaction between them:
 - ✓ To maintain fast economic growth
 - ✓ To join the space of world economy
 - ✓ To effectively solve myriad problems of global security (financial and economic)
- ❑ To analyze the BRIC countries' attempts to harmonize national competition principles

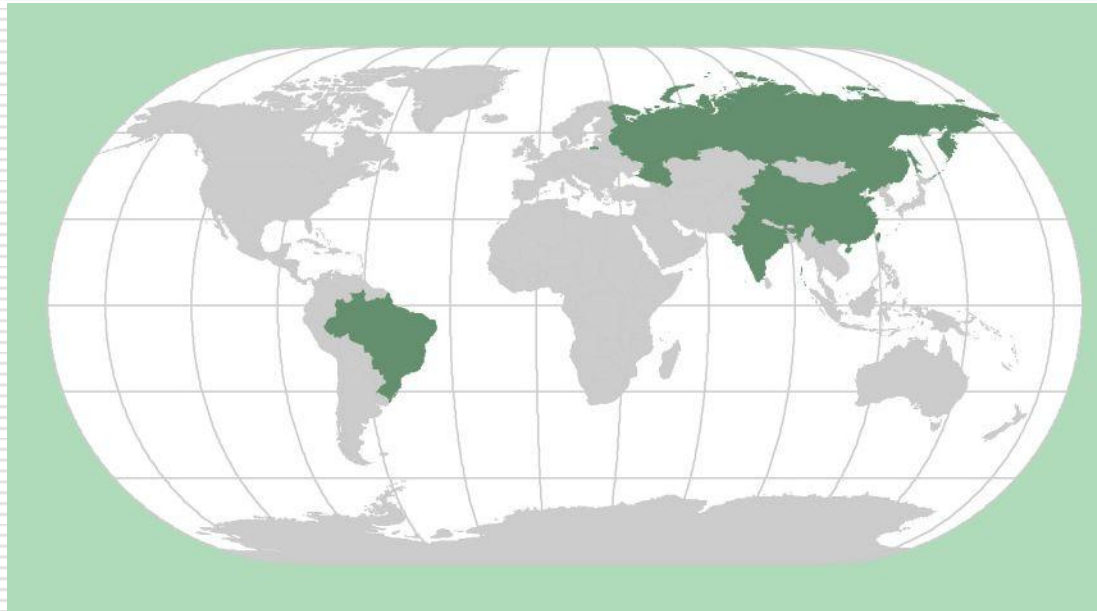
Global Economy

- ❑ Why are Some Countries Rich and Others Poor?
- ❑ The answer is productivity.
- ❑ The most important factor affecting productivity is **competition** (among the factors of labor, capital formation, corporate governance, education, and competition)

Types of competition-limiting behavior:

- ❑ Specially in former socialistic countries:
- ❑ Abusing dominant position,
- ❑ Abusing administrative power,
- ❑ Lower-than-cost sales conducts,
- ❑ Tie-in sales,
- ❑ Rig bids and Conspiracy tendering,
- ❑ Allocate Markets
(Customers/Territories)

BRIC as a new group in a world countries typology



BRIC's potential

- ❑ 15 percent of the world GDP,
- ❑ 13 percent of the world trade,
- ❑ about half of the world's currencies,
- ❑ rich natural resources,
- ❑ 42 percent of the world's population,
- ❑ the high economic growth rates

BRIC's prospective

- in less than forty years, the BRIC economies together could be larger than the G6,
- In 2050, of the current G6, only the US and Japan may be among the six largest economies

(Goldman Sachs, 2003, p2).

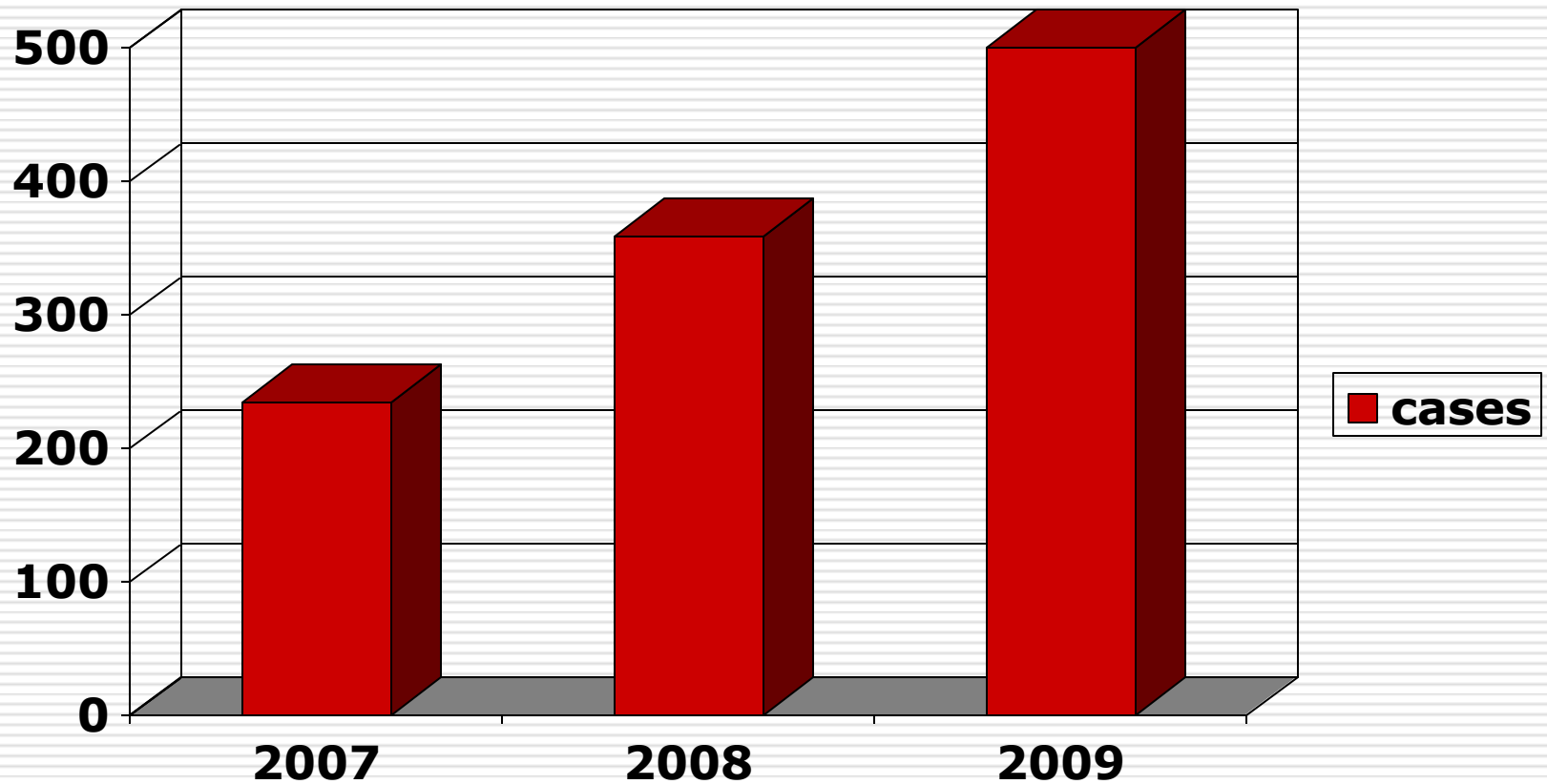
BRIC: Towards a unified international economic space

- ❑ The internationalization of trade and economic relations
- ❑ ensuring predictable conditions for running business,
- ❑ creating a sound competition environment, and
- ❑ cooperation on various aspects of economic growth and development

But... economy of the BRIC counties is distinguished with:

- ❑ high rate of production concentration;
- ❑ presence of stable corporate relations;
- ❑ underdevelopment of market institutions;
- ❑ significant interference of state into economy;
- ❑ attractiveness of the national market for transnational corporations.

Number of cases of cartels (Russia)



Functions of the competitive authorities:

- ❑ Suppression of abuse of dominance;
- ❑ Fight against cartels;
- ❑ Suppression of anti-competitive actions of the state authorities (including state preferences);
- ❑ Provision of observance of sector legislation (forest, land, living, water, on natural resources);
- ❑ Merger control

Functions of the competitive authorities:

- Control of the activity of natural monopolies -
 - Antimonopoly regulation of natural monopolies (including issues of non-discriminatory access);
 - Provision of pro-competitive character of reformation of natural monopolies sector.
- Prevention of unfair competition;
- Control of the legislation in advertizing.

Competitive advantages of Russia:



Competitive advantages of Russia:

- ❑ The largest territory in the world.
- ❑ Diverse natural and human resources.
- ❑ Favorable geopolitical position.
- ❑ Long history of steady industrial and agricultural growth.
- ❑ Russian natural resources, armaments, and certain manufactured products are highly competitive in world markets.
- ❑ Tens of Russian national companies are globally competitive.

Is BRIC able to damage the current global economic order based on competition?

- $HHI_{oil} = (S1)^2 + (S2)^2 + (S3)^2 + (S4)^2 = 110,26 < 1000$
(unconcentrated)
- $HHI_{coal} = 1479,91 < 1,800$:
industry is moderately concentrated
- $HHI_{gas} = 0.52 + 272 + 3.242 + 3.122 = 749,48 < 1000$
(unconcentrated)

Competition development

- BRIC International Competition Conference (Kazan, Russia, 2009) was first step to activate international cooperation in the sphere of competition policy. (anti-cartel activity)



Competition policy reflects the need

- ❑ To improve the market economy system
- ❑ To take full advantage of basic functions of the market in allocation of economic resources
- ❑ To promote the healthy and fast development of the economy
- ❑ To participate in economic globalization according to international business rules

International Business standards

- ❑ In the BRIC countries these unfair competitive actions are illegal:
- ❑ misleading advertising,
- ❑ commercial bribery,
- ❑ infringement on production and trade secrets,
- ❑ counterfeiting,
- ❑ unfair prize-giving sales, and
- ❑ business slander

Enforcement of competition law is important for the countries:

- ❑ Compels the less efficient firms to drop out of the market
 - ❑ motivates firms to attain the minimum level of costs for a given level of output
 - ❑ makes an economy more attractive as a location for foreign investment
- Efficiency, innovation, and productivity.

Thanks for your attention!

