Competition Policy and Competitiveness in Namibia

By Mr Mihe Gaomab II

Chief Executive Officer: NaCC

The Competition Policy and Law of Namibia are closely related to Competitiveness. Competition is defined, in a market driven economy such as Namibia, as the struggle among supplying firms to obtain buyers' support for their goods and services. Competition is rivalry among business entities, usually in the same relevant market. Such rivalry can take many different forms; such as price, quantity levels, innovation and product range.

Competition Policy is known to assist in promoting competitiveness by ensuring a proper working market competitive process. In order to maintain their position in the market and keep rivals in check, it is only logical that Namibian firms are compelled to constantly improve, bringing in new equipment and producing products which are competitive and offering wide range of choice for consumers.

The World Economic Forum defines competitiveness as a set of factors, policies and institutions that determine the level of productivity in a county which sets in turn a nation's recognized of standards living.

Firstly, to be competitive a nation requires having the right institutions in place. The Namibian Competition Commission aims to fulfill that role as the market regulator to administer and fully implement the Competition Act. The National Planning Commission plays a crucial role of the "Nations planner" to ensure that the basis of the country's economic development rests on competitiveness as enshrined in Vision 2030 and National Development Plans.

Secondly, Infrastructure plays a crucial role in competitiveness especially for a country like Namibia. In many instances production of goods in Namibia may be competitive but the cost comes when getting the goods to the intended markets. Therefore, infrastructure of rail, road, air, ports, border gates, and information technology are key essentials towards the success of competitiveness.

Thirdly, the macro-economic environment is a necessary state for competitiveness. This is really the domain of the Ministry of Finance and its statutory bodies such as the Bank of Namibia. What breeds competitiveness is policy and regulatory consistency. Inflation rates, interest rates and exchange rates should all be consistent and should not vary greatly. Similarly businesses should have confidence and trust that their place in the marketplace is safeguarded and that they see the Commission to regulate their conduct and activities.

Under the stewardship of the Ministry of Trade and Industry, the Namibian Competition Commission fulfils the role of micro-economic stability consistent with the macroeconomic stability fostered by the Ministry of Finance and its statutory bodies such as Bank of Namibia. Such public consistency is crucial for overall competitiveness.

Fourthly, for every institution created in this country for it to be effective it requires human resource. The human element is what makes any businesses thrive and an economy to develop. Education and skills development ensures that the work force are finding new and better ways of doing things and also that the learning curve of any new process is minimized. This contributes to competitiveness and having trained personnel is a great advantage for the nation and its competitiveness for the simple reason that trained skilled human resource power usually performs better than untrained skills.

Fifthly efficiency is key when it comes to a successful competitive environment. In competition usually companies compete on price. Therefore the cost of producing a product and the cost of distributing this product to the market becomes a crucial factor in competition. Firm will usually try and beat their competitors on price and they do this by reducing the cost of production and distribution. Thus competition encourages firms to find alternative cheaper ways of production and distribution. The Commission has a role to ensure that the market players compete with each other for them to actually enjoy the efficiencies.

When relating competitiveness to the work of the Commission on competition policy and law, it is possible for the economic actors to collude and decide not to compete. This would result in little effort by the parties to invest in research and development or even find alternative ways of reducing the cost of production or distribution. Furthermore, this would lead to misallocation of resources. An industry which is not competing is not likely to be successful on the international market because when faced with fierce competition from competitive markets they would not have any competitive and comparative advantage.

The Commission has a role to play to stop such collusive conduct and to ensure that an industry is not highly concentrated and if it is, there is no abuse of dominant position of market power by dominant firms. Most Namibian industries and sectors are highly concentrated and therefore the threat of abuse of dominance or possibility of collusion is very real. The role of the Commission is to ensure that dominant firms do not stifle competition and that competition needs to thrive for the benefit of the overall economy. The Commission have the responsibility to look at objects or effects that reduces competition in the industry, sector or economy.

Firms may also decide to engage in mergers and acquisitions and this may alter the market structure of the industry. The decision to merge may make the market highly concentrated which can then easily collude or may create a dominant firm which may abuse its dominance. The role of the commission is to ensure that the merger does not lead to substantial lessening of competition.

A firm which operates in a competitive environment is usually most likely to be technologically ready than a firm in a closed environment. Together with the Communications Regulatory Authority of Namibia (CRAN), Commission aims to ensure that there are competitive markets in the technological industry which is innovative and ready to receive any new technology.

The above shows that there is a definite role of the Commission in promoting competition and competiveness in the Namibian economy. It is clear that competition is a critical process of competitiveness and some of the pillars mentioned above that measures it. The Commission as a market regulator has the responsibility to ensure that the competition process is free and fair and further to ensure that where markets fail, it has to intervene and where markets thrive, it has to support it. Markets in a free market economic dispensation tend to fail and such failures may be as a result of the market structures or the market player.

So as the Commission pursues fair competition, it in fact creates an enabling environment for factors of competitiveness to manifest themselves, leading to productivity and sustained national economic development. It is thus envisaged that with the well working competitiveness markets, the economy would see lower prices, better quality goods, new product ranges, and innovation in production and distribution, leading to a socio-economic and consumer welfare as defined in the Competition Act.

The Commission as a government organ and regulator has a very big role in ensuring competitiveness. The role of the Commission is to contribute towards the overarching goal of competitiveness because the businesses that the Commission regulates are the wealth creators. Therefore, it is necessary and by design that the Commission ensures that the markets are competitive by ensuring that acts or behaviours that are anti-competitive are prohibited and also to ensure that in carrying out their duty they do not over-regulate thereby frustrating businesses.

Towards that end, the Commission has finalized studies on thresholds of mergers and abuse of dominance to ensure that certain businesses are not subjected over or below a certain thresholds for them to thrive in the competition space. The Commission aims to inform the industry and the public on the outcome of the studies earlier next year.

In conclusion, Commission continues to play its role to regulate the businesses in a proper and facilitative fashion without compromising the mandate provided to it by the Competition Act of 2003. The competitive dynamics ensure that new firms come into the market and prosper if they perform well in the marketplace and less efficient firms become unprofitable and are forced out or close down. These have implications for the industrialisation efforts in an economy and industrial policy in general in Namibia as spearheaded by the Ministry of Trade and Industry towards economic transformation as envisioned in Vision 2030 as driven by the National Planning Commission.

Competition Policy and Law therefore is the prerequisite for business to become competitive by proper regulation of the businesses and the markets of Namibia and ensuring that businesses do not engage in anti - competitive practices or mergers.