

CHAPTER 1: INTRODUCTION

“You're gouging on your prices if you charge more than the rest. But its unfair competition if you think you can charge less. A second point that we would make to help avoid confusion: Don't try to charge the same amount -- that would be collusion”.
(Antitrust humour by Fred L. Smith Junior and James Gattuso, from the introduction to Tom Smith and his Incredible Bread Machine, by RW Grant (CEI, 1998))

1.0 Introduction

In the wake of globalisation, the accelerated pace of economic liberalisation has seen the opening of international markets and trade liberalisation. Malaysia's phenomenal growth rates between the 1970s through the 1990s has driven the interest to examine the need of a formal competition policy to support economic liberalisation and create markets that encourage independent buyers and sellers to compete. The driving assumption for the need for a competition policy is what Christopher Maule likes to think of as the 'dark side of the free market' - that a market 'left unsupervised, competitors will conspire to fix prices and engage in restrictive business practices'¹. These practices may ultimately harm consumer interest in the form of higher prices, lower quality of products and fewer consumer choices.

The catch to all of this is that it goes against the economic mantra that the *invisible hand* regulates markets and that by introducing some form of regulation for competition, you interfere with entrepreneurial activities and business decisions that maximise independent profits. The challenge to policymakers then should be to ensure a right balance so that there is enough freedom for entrepreneurial activity but too much

¹ Christopher Maule, 'Competition policy for the year 2000', John Deutsch Institute, Queen's University, Canada at the MIER's 1998 National Outlook Conference.

that they engage in unfair trade practices that ultimately harms consumers. ‘Rule-making for markets is similar to rules for football. Spectators are rewarded with entertaining play if the rivals are well matched and play according to the rules. Absent a referee and the game may turn into a brawl of benefit to neither players nor spectators²’.

1.1 Objective & Importance Of This Study

The objectives of this paper are as follows:

- To describe what competition policy is and why it is important,
- To discuss if there is a need for a competition policy in Malaysia - implicitly addressing what the benefits are as well as describing some of its challenges,
- And if there is such a need, to then determine design and implementation approach of a competition framework for Malaysia

This study is important because it sets the stage as an introductory research to describe what the pressing issues are in calling for a competition framework for Malaysia. It consolidates and provides comments on work from the Ministry of Domestic Trade and Consumer Affairs as well as some local and international scholars.

² Christopher Maule, *Ibid.*