

Press Release

Call for proactive international enforcement against global cartels

New Delhi, March 2, 2017

“Competition authorities world wide need to cooperate actively to bust international cartels”, said John M Connor, Professor Emeritus, Purdue University & Senior Fellow, American Antitrust Institute.

Prof Connor was delivering a well attended lecture organised by CUTS International and CUTS Institute for Regulation & Competition here yesterday.

Cartels not only cheat consumers and other businesses, they also restrict healthy economic growth. Cartel conspiracies and the related consumer harm raise the question of what can be done to improve competition law enforcement to deter cartelisation.

‘One of the major problems faced by competition authorities is that they don’t get cooperation from countries in acting against global cartels’ observed Prof Connor.

Mr Pradeep S Mehta, Secretary General, CUTS International welcomed the dignitaries and underlined the importance of robust enforcement against cartels, as being one of biggest civil crimes in a market economy.

Prof. Connor specialises in empirical research in industrial economics and competition policy; since 1997 the focus of his research has been international price-fixing cartels and world-wide enforcement of price-fixing laws.

The distinguished lecture gave an opportunity to learn about various aspects of international enforcement directed at cartels. Presentation slides of the lecture can be accessed at: <https://goo.gl/KW21PJ>. Among others, large number of young competition lawyers attended the lecture.

Calculating optimum penalties for cartels is complex and challenging. It needs to take into account a number of factors including the probability of detection and the probability of enforcement if a cartel would be formed.

Commending the endeavours by CUTS in the field of competition law and policy, Prof Connor gave interesting instances and cases on global cartels while sharing his research experience.

Penalties imposed by the world’s competition authorities on global cartels have exploded over the past quarter century. Furthermore, the number of cartels being discovered each year is rising at an exponential rate, thereby challenging the current global enforcement norms.

Post lecture discussion moderated by Mr Mehta involved eminent competition law experts including Amitabh Kumar, a senior competition lawyer and former DG, Competition Commission of India.

With reference to the first leniency case in India, Mr Kumar highlighted the need for a clear leniency and penalty regime for competition enforcement in India, and therefore there is a need for a clear set of guidelines for the same.

Highlighting the challenges and solutions, Connor stressed on proactive cooperation between competition authorities to check global cartels. He said that dangers of over-deterrence of cartel fines are exaggerated and under-deterrence of cartelisation is the norm generally.

There is no compensation for the dead-weight losses due to collusion by cartels and harm to the market mechanism itself.

Mr Mehta raised an interesting point about the busting of Transatlantic air cargo cartels by many of the developed country authorities that much of the cargo on this route can be attributed to

developing countries in Asia and Africa. Their consumers end up paying for it, without being able to claim any redemption, while private actions in the US have resulted in airlines compensating consumers there.

In his vote of thanks, Mr Mehta concluded that robust enforcement mechanisms are needed to control cartels and optimal cartel fines need to take into account the consumer harm so as to ensure the welfare of consumers.

“We have been highlighting this every year during the observance of the World Competition Day on 5th December”, he said. “Next year, we will highlight the need for global cooperation and also raise it at the forthcoming ICN meeting in Porto, Portugal”.

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