

Editorial

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Competition Laws and Trade Liberalization

The role of competition rules is presently the subject of much debate, as concern about restrictive business practices by companies has been superseded by concern about the trade policies of the various countries.

It is true that, in some cases, competition rules may be viewed as mere protectionist weapons used to prevent foreign companies from entering home markets or, if they have already entered, to force them out. When aimed at the practices of foreign firms active in foreign territories, but affecting their home markets, such as the treble damage actions under U.S. antitrust laws, they clearly fall within this category.

Over a wider scene however, the situation should be viewed as the reverse: competition rules are, and should be seen as, an integral part of the general effort to keep the international markets open. This is because the common objective of competition and trade policy liberalization is to ensure the free flow of goods and services across national boundaries, thereby achieving optimal allocation of economic resources and economic growth. To be coherent, countries which impose strong competition policies on their national companies should avoid enacting simultaneously trade policies which defeat the very purpose of the competition policies such as export cartels, joint-ventures, export subsidies, orderly marketing arrangements, voluntary export restraints, quotas, and the like. Such trade policies restrict competition in the exporting countries, where they result in discrimination between exporters; they also restrict it in the importing countries, where the choice offered to buyers is thus limited.

For the last three decades large international corporations have been taught the hard way not to engage in restrictive business practices: they therefore should not hesitate to remind their governments not to engage either in trade policies which have the same ultimate effect as restrictive business practices. The Uruguay round should be the occasion for governments to make significant progress in that direction.