



National Competition Policy 2020

Ministry of Economic Affairs
Royal Government of Bhutan



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MINISTER

Foreword

Many markets in developing countries do not yet benefit fully from healthy and effective competition, and government interventions often fail to provide firms with the right incentives to compete. Further, the sector-specific rules and regulations frequently limit market entry or reinforce the dominance of a few firms. Competition policy is being used by many governments to spur the microeconomic reform seen as necessary for the success of firms and nation in a more open and contestable economy.

The competition policy is aimed to promote market based economy driven by fair and healthy competition. It is also an important parameter for attracting FDI inflows and protecting small businesses from unfair trade practices by preventing abuse of market power by commercial monopolies and oligopolies. Further, the competition policy will also enhances good governance as it advocates the principle of transparency and limits discretionary powers by government functionaries.

Further, the policy will encourage and foster private sector development through fair market competition, which will lead to availability of wider choice of goods at lower prices to the consumers. The policy will also help to increase productive efficiencies and provides incentives for innovation resulting in maximization of consumer welfare.

It is my sincere hope that the National Competition Policy 2020 will contribute towards encouraging innovation, efficiency, wider choice of goods and services to consumers, help to reduce prices and improve quality through fair market competition in the economy.



(Loknath Sharma)
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List of Abbreviations

CIA	Competition Impact Assessment
CIA-G	Competition Impact Assessment Guidelines
CP	Competition Policy
CSMI	Cottage, Small and Medium Industries
GNHC	Gross National Happiness Commission
MoEA	Ministry of Economic Affairs
OCP	Office of Consumer Protection
RGoB	Royal Government of Bhutan
SOE	State Owned Enterprise

1. Rationale

Competition in a market place is founded on a value system that strives to respect freedom of individual choices, prevent concentration of power, decentralise decision-making, adhere to the rule of law, promote market self-regulation and market dynamism and promote fair trading practices in the market.

Competition enhances allocative and productive efficiencies in the economy, incentivizes innovation, and maximises consumer welfare. It allows resources to be put to best use in the production of goods and services and inhibits the abuse of market power. It also promotes consumer welfare through a wider choice and increased availability of goods and services at affordable prices.

A well-designed Competition Policy (CP) is a key to good governance by promoting greater transparency and less control and discretionary power in the hands of government functionaries and prevents anti-competitive behaviours and practices in the market by the business entities. It plays a critical role in improving the overall investment environment and in attracting more Foreign Direct Investments.

On the contrary, anti-competitive behaviours and practices cause greater harm to the economy. The existence of monopolistic, oligopolistic, market cartels or dominant market positions results in higher prices, entry barriers, and artificial scarcity of goods or services, thereby undermining quality and limiting the choice for consumers.

Certain sectors of the economy enjoy either statutory monopoly or de-facto monopoly limiting competitive process and often little competition exists in the market. In some sectors, the establishment of new enterprises is restricted or controlled for various reasons. In order to address such anti-competitive practices, a well-designed CP is imperative.

2. Application

CP shall apply to all government organisations and business entities. As such, government organisations and business entities, where relevant, shall be required to adhere to the principles of CP, while formulating and implementing sectoral policies and enacting laws including rules and regulations.

3. Legal Framework

The following constitutional provisions provide a Bhutanese citizen the right to practice any lawful trade, profession, or vocation; and require the State to encourage and foster private sector development through fair competition and by preventing commercial monopolies.

- **[Article 7, Clause 10]** - "A Bhutanese citizen shall have the right to practice any lawful trade, Profession or vocation."
- **[Article 9, Clause 10]** - "The State shall encourage and foster private sector development through fair market competition and prevent commercial monopolies."
- **[Article 14, Clause 16]**- "Parliament shall not enact laws that allow monopoly except to safeguard national security."

Consumer Protection Act of Bhutan 2012 mandates to promote consumer safety and economic interest in the market place which complements the competition policy to enhance consumer welfare. Chapter II section 4 (c) and (d) states that the consumer shall have right to fair, non-discriminatory and equitable treatment by business which include fair terms of contract and sale; and access to a variety of products, technology and services at competitive prices respectively.

Further, the Economic Development Policy 2016 outlines the need and importance to formulate a competition Act by 2018 in order to foster competition, encourage private sector participation and promote a market-based economy.

4. Objectives

The objectives of CP are to:

- a. promote a market-based economy, driven by fair and healthy competition, with no entry barriers for new enterprises, prevent the abuse of market power by commercial monopolies and oligopolies.
- b. enshrine competition as a guiding principle for all relevant policies and laws and to place a greater reliance on market forces to the extent feasible;
- c. promote and sustain competition in the market to enhance efficiency, innovation, and maximise consumer welfare; and
- d. promote market self-regulation and dynamism.

5. Policy Statements

- a. Unless for reasons of social policy or security or fall in the area of natural monopoly, there shall be no monopoly or dominant entity created or allowed to prevail in the market as an outcome of a policy or law, whether such position is enjoyed by a SOE or a private party.

