

Business Environment

Learning out come will see students being able to :

- A. C. .2.3- evaluate the impact of competition policy and other regulatory mechanisms on the activities of a selected organisation

Definition

- Competition Policy
- “are geared to **promote competition; make markets work better** and contribute towards improved efficiency in individual markets and enhanced competitiveness of businesses within free market”. (tutor2u.net)

Our working understanding and definition

- Competition policies are programs/ measures that governments use to ensure fairness in trade activity, they ensure that consumers are not exploited by businesses and also that no single business has an unfair advantage or access to any resource that would allow them to unfairly price their goods and service to the detriment of other business in the same industry.
- i.e- <http://jamaica-gleaner.com/power/37981> (digicel and lime court case)
- <http://www.jamaicaobserver.com/business/Trinidad-reacts-to-charges-of-unfair-export-practices-in-Ja> (jamaica and Trinidad trade war)

Competition policies are used to promote

- Technological **innovation** which promotes **dynamic efficiency** in different markets- it pushes business to develop a competitive edge through fair innovation , this lends to high quality goods being produced
- Effective **price competition** - retards price gorging, guards cartel like behavior, reduce threat of a single dominant price maker
- Protects local industry and Business- from “dumping”, keep unemployment low, reduce threat of monopoly like behavior

Key pillars of competition policy.

■ **Cartel Busting**

- “This involves the elimination of agreements that restrict competition via price-fixing and other abuses by firms who hold a **dominant market position** (defined as having a market share in excess of forty per cent)” (tutur2u.net)

Market liberalisation- This involves the introduction of competition to an industry that maybe considered monopolistic in composition i.e- the introduction of digicel, and claro to our local telecommunications industry

Mergers and acquisition- regulators such as the BOJ as seen in recent times had to investigate and approve the merger of RBC Bank and Sagicor Bank to ensure that customers would not be disenfranchised by the merger that is they would not be subject to unfair treatment, and also that the merger did not amount to the new entity becoming a market leader that would be able to manipulate fees and prices

Key pillars of competition policy

Government aid/ Intervention- This is done via subsidies and tariffs, to ensure industry viability and longevity. i.e

Regulators

- Bank Of Jamaica
- Financial Services Commission
- Fair Trading Commission
- Bureau Of Standards

Regulators- “Regulators are the **rule-enforcers** and they are appointed by the government to oversee how a market works and the outcomes that result for producers and consumers” (tutor2u.net)

International Trade markets

- Caricom- Caribbean Single Market, aimed at promoting free trade among Caribbean states, taking advantage at a low price and resources of neighboring state.
- How do Governments protect businesses in a single market economy?

How is trade impacted

- Subsidies-A benefit given by the government to groups or individuals usually in the form of a cash payment or tax reduction. The subsidy is usually given to remove some type of burden and is often considered to be in the interest of the public. (investopedia.com)
- Tariffs- “A tax imposed on imported goods and services. Tariffs are used to restrict trade, as they increase the price of imported goods and services, making them more expensive to consumers.” (investopedia.com)
- Embargo- A government ruling that see the restriction of trade between or among countries , this is a political measure aimed at forcing a country to comply with an external view point
- <http://jadsc.gov.jm/about-2>

Key Terms

- Competition Policy
- Regulators
- Cartel
- Monopoly
- Bank Of Jamaica
- Tariff
- Caricom
- Subsidy
- Trade Partner
- Moral Suasion

Additional Reading

- Economics Fifth Edition- Alain Anderton
- Essentials of economics- Sloman and Garratt

Reference

■ ONLINE RESOURCES

- Investopedia.com (2016) – Definition Subsidies, Tariffs {online} Available at: <http://www.investopedia.com.html>- accessed February 2016
- tutor2u.net (2016)- Definition Competition Policy{Online}
Available at :<http://www.tutor2u.net> - accessed January 2016

LIBRARY RESOURCES

- <http://jamaica-gleaner.com/power/37981> (digicel and lime court case)
- <http://www.jamaicaobserver.com/business/Trinidad-reacts-to-charges-of-unfair-export-practices-in-Ja> (jamaica and Trinidad trade war)
- <http://jadsc.gov.jm/about-2>