



**Competition
Commission of Pakistan**
Creating a level playing field

CC "all other things being equal" **P**
ETERIS ARIBUS

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NEWSLETTER

Volume 3, Issue 1

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Views on Economy

Highlights of this
EDITION

Enforcing the Law

§3 Abuse of Dominant Position

Practices that restrict, reduce or distort competition, i.e.:

- > Limiting production
 - > Unreasonable increase in prices
 - > Tie-ins
 - > Predatory pricing
 - > Refusal to deal
-

§4 Prohibited Agreements

Agreements that affect competition i.e.:

- > Price fixing
 - > Sharing of market
 - > Controlling production
 - > Collusive tendering & bidding
-

§10 Deceptive Marketing Practices

Prohibits companies from:

- > Distribution of false or misleading information lacking a reasonable basis
- > Misleading comparisons of goods in advertising
- > fraudulent use of trademark, firm, name, or product labelling or packaging

Penalty Imposed on Nine Companies for Deceptive Marketing

Al-Rehman Oil Mills complained against nine companies namely, Niaz Corporation, Hamza Corporation, Muslim Corporation, Mian Traders, Bahawalpur Oil Mills, Riaz Oil Mills, Baloch Oil Mills, Azhar Kiryana Store, and Waqas Oil Mills for fraudulently using its registered trademark, 'Taizgaam,' with slight modifications in their marketing material.

§10 of the Competition Act, 2010 also prohibits the 'fraudulent use of another's trademark, firm name, product labeling or packaging.'

The Commission initiated an enquiry and found that these companies were infringing the trademark and imitating the trade dress of Al-Rehman's Taizgaam including its packaging size, colour combinations, logo design, label design, text, and font type, thus resorting to copycat packaging or parasitic copying, a violation of §10 of the Act. On recommendations of the enquiry report, Show Cause Notices were issued to them and were called for hearing before the Commission's bench.

During the hearings, they expressed their willingness to comply with the CCP's directions. The Commission passed an Order, which stated that parasitic copying of the packaging and



labelling of Al-Rehman Oil Mill's products was misleading, deceptive, and could harm its business interests and its goodwill. The Commission imposed a penalty of PKR 300,000 on each of the nine companies and directed them to stop using "Taizgaam" with their products.

----- CASE IN POINT -----
** In K&N's Order (Feb 2016) the Commission established that parasitic copying packaging, having the obvious foreseeable effect of misleading and causing deceitful confusion in the mind of the ordinary consumer is a violation of §10 (2) (d) of the law.*

When copycat packaging is deployed for a particular commodity, the prices become the main, sometimes the only criterion which affects a consumer's choice of purchase

PKR 1 Million fine Imposed on Kitchen Foods for Deceptive Marketing Practices



The deceptive marketing practices by Kitchen Stone Foods not only deceived consumers but also harmed the business interest of its competitors.



Seasons Foods and Quick Food Industries complained to the Commission that Kitchen Stone Foods, a frozen food company, was claiming its product to be "100% Non-Processed," or "Pakistan's first non-processed frozen food." It was also comparing its products with them and spreading wrong information about their processed foods.

The Commission's enquiry found that Kitchen Stone Foods was falsely comparing the products of its competitors and associating them with the risks and causes of cancer by citing different articles and misleading narrations on its Facebook page. It had also posted statements such as "Processed Meat Causes Cancer: Switch to Kitchen Stone Products." The company, however, could not substantiate its claims. It was established that such deceptive marketing practices by Kitchen Stone Foods not only deceived consumers but also harmed the business

interest of its competitors.

The Commission noted that as consumers are getting more attuned to nutritional value of food and beverages, each year millions of rupees are spent for an amiable marketing, in a particularly designed fashion. By passing the Order, the Commission highlighted the importance of truthful advertising so to enhance well-aware purchase

power of consumers. The Commission imposed a penalty of PKR 1 million on Kitchen Stone Foods, for violating §10 of the Act.

----- **CASE IN POINT** -----

** In the Show Cause Notice to Colgate Palmolive (2017), the Commission observed that "a comparison of goods lacking a reasonable basis will be considered to be false and misleading"*

Comparative advertising is appropriate where the comparison is clearly identified, truthful and non-deceptive

The Federal Trade Commission's Policy on Comparative Advertising

Deceptive Marketing Practices by Three Real Estate Developers

The Commission passed three Orders imposing penalties of PKR 2.5 million each on Eden Builders and Green Field Developers and PKR 10 million on Vision Developers for deceptive marketing campaigns for their respective housing schemes.

Eden Builders

Eden Builders made false claims about the location of its housing Scheme "Eden Life Islamabad," stating that it was situated at a drive of 12 minutes from the Serena Hotel Islamabad and five minutes from the Capital Development Authority (CDA) Enclave and Chak Shahzad. Moreover, the advertisements also indicated the price of the various sized plots, but there was no clear mention of the development charges to be recovered later. Eden Builders also failed to show that it had the approval of the CDA for this housing scheme on its name. The Commission imposed a penalty of 2.5 million and directed them not to engage in deceptive marketing practices again.

Green Field Developers

While advertising its housing scheme, 'Green City,' made the false claim about its location that it was situated in Islamabad whereas it was in Fateh Jang. Moreover, by affixing logos of various governmental bodies in its advertising campaigns without obtaining the necessary approvals to do so, Green Field Developers committed to distribute misleading information. The deception was likely to affect consumer's purchasing decision. The Commission imposed a penalty of 2.5 million and directed them not to engage in deceptive marketing practices again.

Vision Developers

Vision Developers obtained the approval of the Lahore Development Authority (LDA) for a housing society, "River Edge Housing Scheme". The company subsequently applied for NOC from the LDA for, a new housing scheme, "Park View Villas". The request was denied for being located close to a riverbank which could be prone to flooding. Despite this, Vision Developers advertised the new unapproved scheme under the deceptive name of "Park View Villas at River Edge Housing Society," giving the impression that the new scheme was an extension of the earlier-approved "River Edge Housing Scheme". The company did not appear before the Commission despite repeated notices. The Commission passed an Order and imposed a penalty of 10 million.



The Commission also stressed upon the importance of enhanced regulation of the real estate sector along with responsible and accurate advertising by developers to protect consumers from financial and material losses.

The Commission also stressed upon the importance of enhanced regulation of the real estate sector along with responsible and accurate advertising by developers to protect consumers from financial and material losses.

Show Cause Notice Issued to Pakistan Flour Mills Association for Collusive Practices

The Commission took notice of several news items, appearing in different newspapers, suggesting an unusual hike in the prices of wheat, flour and its by-product, between 2015 and 2016, on a regular basis across Pakistan.

During the enquiry, the Commission also conducted search and inspection of the premises of Pakistan Flour Mills Association (PFMA) and impounded the relevant documents and material. The Commission's enquiry concluded that PFMA had taken decisions to fix and increase the prices of flour and communicated the decisions to its members for compliance. The Commission tracked SMS messages sent by PFMA management conveying the prices at which wheat flour had to be sold.

Moreover, the Executive Committee of PFMA was regularly meeting, exchanging commercially sensitive information and strategic data on flour prices and allocation of quantities between 2012 and 2014 and was also facilitating the coordination among its members, thus potentially competition was eliminated in the market for flour products. The Commission issued Show Cause Notice to PFMA for, *prima facie*, violating §4 of the Act by indulging in anti-competitive practices like price fixing and sharing commercially sensitive information.

PFMA apparently acting as a medium to facilitate cooperation among millers to fix prices, which has the object and effect of preventing, restricting and reducing free competition in the relevant market.

Show Cause Notices Issued to Diamond Paints And Its Dealers for Downstream Cartelisation

The Commission took notice of the allegations that Diamond Paints and its dealers in Multan had agreed on fixing the rates of its products by an "agreement for retail and wholesale rate fixing." As part of its investigation, the Commission also conducted a search and inspection of the premises of Diamond Paints in Lahore and Multan and impounded relevant documents and records.

The Commission found that the company had, *prima facie*, entered into an agreement with its dealers imposing an obligation of "Minimum Resale Price Maintenance (RPM)" on them for the sale of its products. This agreement introduced a restrictive trading condition that appeared to facilitate a downstream cartel with the object or

effect of restricting competition in the relevant market.

On the recommendation of enquiry report, the Commission issued Show Cause Notices to Diamond Paints and its ten dealers for, *prima facie*, violating §4 of the Act.

Resale Price Maintenance as defined in OECD's glossary:

A supplier specifying the minimum (or maximum) price at which the product must be re-sold to customers.



Resale Price Maintenance (RPM) is generally prohibited in almost all OECD countries, subject to a few exemptions, mostly for books, newspapers and medicaments. Some countries though do have a procedure for authorizing the practice if the beneficial effects can be shown to outweigh the detrimental ones.

CCP Investigates Possible Collusion in Poultry Sector

The Commission began a , *suo motu*, enquiry after strong indications of organised communication between poultry sector players relating to poultry prices. In this regard, a team of authorised officers of the Commission inspected premises in Lahore that was in use of a poultry association and impounded material evidence. The enquiry committee, will examine all the evidence and present its findings in the form of a report.

The Commission has previously also investigated and penalised collusive behaviour in the poultry sector. In 2010, the Commission imposed a fine of PKR 50 million on Pakistan Poultry Association (PPA) for cartelisation in several poultry market. Whereas, in 2016, the Commission again fined PPA PKR 100 million for collusive practice.

The Commission remains particularly vigilant against collusive activities, which is prohibited under §4 of the Act and considered as one of the most egregious forms of anti-competitive behaviour.



Prices fixing is illegal under the Competition Act 2010. It flouts free-market rules and is considered anti-competitive. Under the law, a business is prohibited from:

- Making a deal on prices with competitors
- Sharing market or limiting production to raise prices
- Imposing minimum prices on retail outlets
- Deciding purchase price from supplier with competitor
- Cutting price below cost to drive weaker companies out of the market



THE GREATER THE
POWER,
THE MORE
DANGEROUS THE
ABUSE

Edmund Burke

Approving Mergers

25

Merger Cases

*Processed during Jan - Mar
2018*

Major Acquisitions included:

Acquisition of Kia Lucky Motors Pakistan Limited

General Electric's Industrial Solutions business

Unilever PLC

OMV

Alibaba Singapore Holdings Pvt Limited

The Mergers & Acquisition Department is reaching out to the concerned stakeholders to provide guidance on merger filing system and other pertinent issues. The Commission and State Bank of Pakistan (SBP) jointly organized a seminar, on 26 March 2018, for the members of Pakistan Bankers Association. The participants were briefed about the regulatory requirements for merger approvals by the Commission. The session was chaired by Mr. Syed Irfan Ali, Executive Director, SBP.

§11 Approval of Mergers

Undertakings intending to acquire the shares or assets of another undertaking, or two or more undertakings intending to merge, and meet the pre-merger notification thresholds stipulated in the Merger Regulations, have to apply for clearance from the Commission.

Advocating the Law



§29 Competition Advocacy

The Commission shall promote competition through:

- > Creating awareness and imparting training.
- > Reviewing policy frameworks.
- > Making recommendations to Federal and Provincial Government.
- > Holding open hearings on any matter affecting the state of competition.
- > Updating website for public information.

Reviewing Policy Frameworks

POLICY NOTE ISSUED TO FBR TO AMEND RFP FOR TOBACCO TRACK & TRACE SYSTEM



Taxes on tobacco industry are an important source of revenue for the government and in the FY 2015-16, the tobacco industry generated PKR 114.7 billion in sales tax and Federal Excise Duty (FED). Cigarettes alone constitute approximately 48% of the total FED collection, making it the single highest contributor. The Commission issued a Policy Note to the Federal Board of Revenue (FBR), with the recommendation that it amend certain clauses in a Request for Proposals (RFP) for Tax Stamps, Monitoring & Tracking System for tobacco products to let a maximum number of bidders participate in the process. According to the Commission, the certain clauses in RFP for Tax Stamps, Monitoring & Tracking System for tobacco products favour only certain global party.

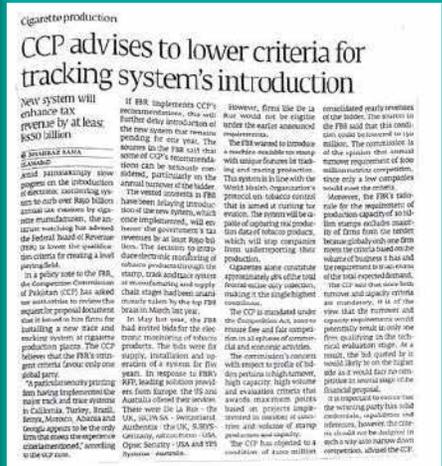
The FBR's track-and-trace system for tobacco products shall help prevent leakage of revenue, under-reporting of production and sales, and ensure proper payment of Federal Excise Duty (FED) and Sales Tax on tobacco products. The Commission appreciated the track-and-trace system as an important step to curb illicit tobacco trade that places registered businesses at a competitive disadvantage but recommended to amend certain clauses to let the maximum number

of bidders to participate in the process.

The Commission noted that the turnover requirement of US\$ 100 million and capacity requirements of 10 billion stamps in the RFP excluded many firms from taking part in the tender. FBR should revise these requirements or clarify terms of a Joint Venture to allow two or more parties to meet the criteria working together. The evaluation criteria also awarded maximum points based on the number of countries (where the proposed system was implemented) and volume of banderoles while ignoring other important aspects of the track-and-trace system. The Commission asked the FBR to redesign the criteria to include points for assessing the other vital elements of the track-and-trace system.

The RFP also required special handheld readers to check the products. However, today's smartphones/tablets with a special camera and a secure reader application can achieve the same purpose. The Commission asked the FBR to include the option of smartphones with a secure application as an acceptable solution. The requirement that the successful bidder must ensure a minimum investment of US\$ 7.5 million in Pakistan relating

Express Tribune



The Commission, under its mandate to protect consumers from anti-competitive practices, including collusive bidding; is vigilant to public procurement activities to ensure maximum participation and a level playing field for all bidders in order to achieve value for money.

The Commission recommended to the FBR to amend the request-for-proposal to encourage greater participation by companies

to the track-and-trace system within one year of the signing of the contract could exclude all international bidders without a current printing facility in Pakistan. The Commission recommended to the FBR to amend the relevant clauses to include the necessary elements of the system that require investment in Pakistan. FBR may also, if it deems appropriate, provide suitable incentives for any Greenfield investment.

And finally, the requirement that the system's complete implementation be completed in 22 weeks could limit the ability of firms to participate in the tender. The Commission further suggested that the timeline may be extended appropriately to address the stakeholders' concerns.

CCP Holds Open Hearing on Surgar Sector

The Commission took notice of the sugarcane procurement crisis in the country and convened an open hearing to discuss competition concerns in the sector and to get the viewpoint of all stakeholders on relevant issues.

The Commission's bench, comprising the Chairperson Vadiyya Khalil, and Members Dr Shahzad Ansar and Dr Muhammad Saleem, conducted the open hearing, which was attended by the representatives of sugarcane growers, sugar mills, federal ministries, provincial departments, and public and private sector trading and retail organisations.

Chairperson Khalil in her opening remarks said that the Commission was not just a market enforcer but also a market developer and that the open hearing had been convened to discuss and address competition issues in the sugar sector.

The participants from the farmers' community highlighted the payment issues and other difficulties faced by the sugarcane farmers. They called for urgent intervention at the necessary levels of government to resolve their problems.

Representatives of the Pakistan Sugar Mills Association called for revamping the whole system of sugarcane sector to protect the interests of all stakeholders. They highlighted the problems faced by the millers and the problems resulting

from the differences in supply and demand of the commodity.

The representatives of the government including Umar Saleem Bhatti from the Federal Ministry of Commerce, Shafiq Ahmed Shahzad



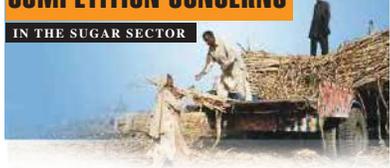
from the Trading Corporation of Pakistan, Intiaz Ali Gopal from the Federal Ministry of National Food Security and Research, Sibte Hassan Sherazi from the Food Department Punjab, Javed Maqbool, Director Marketing, Ministry of Agriculture, Livestock and Cooperatives, KPK, Muhammad Shakeel, Deputy Director, Food Department KPK, and Nihaluddin Marri from the Agriculture Research Institute Sindh, explained their respective positions on the matter. After analysing the deliberations of the open hearing and other pertinent facts, the Commission would issue its Opinion on the matter.



OPEN HEARING

COMPETITION CONCERNS

IN THE SUGAR SECTOR



<p>The Competition Act</p> <p><i>The Competition Commission of Pakistan (the 'Commission') is mandated by the Competition Act, 2010 (the 'Act') to inter alia undertake enforcement, advocacy, and research efforts to provide for free competition in all spheres of commercial and economic activity to enhance economic efficiency, and to protect consumers from anti-competitive behaviour.</i></p>	<p>SECTION 29(c)</p> <p><i>Section 29(c) of the Act, as part of the broader competition advocacy mandate under the Act, empowers the Commission to hold 'open hearings on any matter affecting the state of competition in Pakistan or affecting the country's commercial activities and expressing publicly an opinion with respect to the issues'.</i></p>
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Open Hearing on Competition Concerns in Sugar Sector

The importance of competition in the sugar sector cuts across various levels of the market from sugarcane growers, through sugar mills, to commercial and common consumers. Consequently, this sector has been subject of various enforcement, advocacy, and policy level initiatives of the Commission in the past, with all efforts invariably aimed at making the sector more competitive.

The Commission, taking notice of numerous concerns raised by various stakeholders in the sugar sector relating to the ongoing sugarcane procurement process and other pertinent issues of the sector, has decided to conduct an open hearing into the matter on **25 January 2018 at 11:00 AM** at the Commission's office located at **9th Floor, ISE Towers, Blue Area, Islamabad Avenue, Islamabad.**

Adnan Saeed Malik
Registrar

HOW TO ATTEND

All those who wish to attend the open hearing or submit any material on the subject matter should contact the undersigned latest by **23 January 2018** through post, phone (051-9100281), fax (051-9100251), or email asaeed@cc.gov.pk.
Registration prior to the hearing is mandatory.



Competition Commission of Pakistan
Creating a level playing field

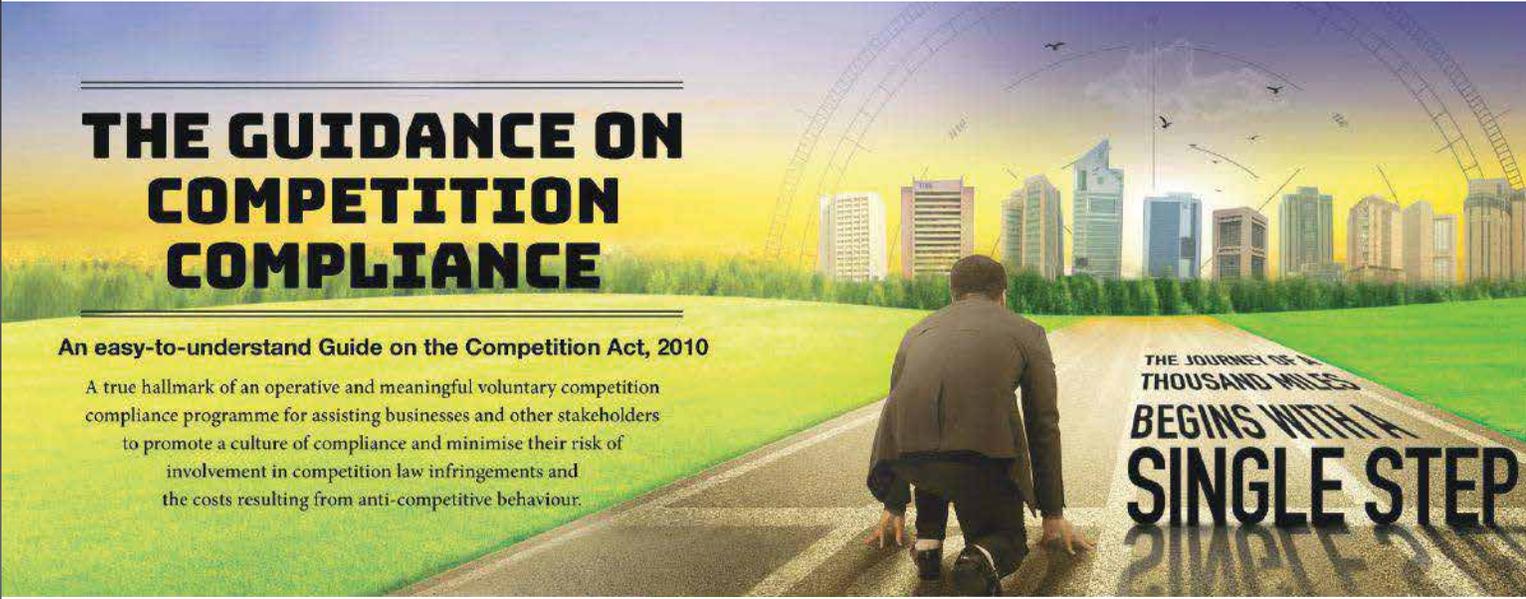
www.cc.gov.pk

7-9 Floors, 55-B, ISE Towers,
Islamabad Avenue, Islamabad.
Phone: (+92) 51-9100260-3
Fax: (+92) 51-9100267

THE GUIDANCE ON COMPETITION COMPLIANCE

An easy-to-understand Guide on the Competition Act, 2010

A true hallmark of an operative and meaningful voluntary competition compliance programme for assisting businesses and other stakeholders to promote a culture of compliance and minimise their risk of involvement in competition law infringements and the costs resulting from anti-competitive behaviour.



Compliance Workshops held under the Guidance on Competition Compliance Programme

The Commission launched the 'Guidance on Competition Compliance' on 5 December 2016. The Guidance was prepared to help develop the Private Sector's capacity for voluntary competition compliance. The first part talks about the main provisions of competition law whereas, the second part is about helping businesses to understand possible drivers of non-compliance that include lack of importance to compliance by senior management, unfamiliarity with legal requirements, employee naiveté or "rogue" employees, and competing interests etc. understanding what drives compliance and non-compliance has important implications for these businesses.

By identifying behaviours that are anti-competitive and could affect market dynamics, the Guidance helps managers and employees make informed decisions that ensure compliance. Apart from managers and employees, board members (where applicable) also have a responsibility to ensure compliance.

In the long-term, the Commission would like to see certain outcomes from its collaboration with the private sector e.g., competition law compliance is integrated into the ethics and compliance infrastructure; senior management demonstrates support through action, not just words; the possibility for employees to communicate misconduct safely and protection against retaliation for those who do raise concerns.

The Commission held a series of workshops under the Compliance Programme where participants ranging from senior management, legal, marketing and sales departments participated. The Commission aims to hold the compliance workshops in all leading national and multinational firms in various sectors.



OICCI, Karachi
23 May 2017

Citibank, Karachi
29 Nov 2017

Reckitt Benckiser,
Karachi
29 Nov 2017

ICI Pakistan,
Karachi
18 Dec 2017

Unilever, Karachi
19 Dec 2017

Engro, Karachi
20 Dec 2017

HEC's National Curriculum Review Committee discussed Module on Economics and Competition Law



During the course of the Academia Drive, many universities that receive funding support from the Higher Education Commission or are public sector universities asked the Commission to acquire HEC's approval for its Competition Law and Economics Module. This approval would help these universities adopt the module in their curriculum.

The Commission sent the module to the HEC and incorporated their initial suggestion of adding information on the international trade dimension vis-à-vis tariffs and antidumping and countervailing duties. Although Pakistan has a separate legal framework for these and a specialised agency – the National Tariff Commission – the suggestions were incorporated in the module and sent the HEC.

The request for CCP's participation in the preliminary meeting of the curriculum revision committee for economics came about as a result of this module. The meeting was held in January 2018 wherein CCP was represented by its Director General Advocacy & International Affairs Mr. Ahmed Qadir.

Mr. Qadir briefed the meeting on the CCP's proposed Competition Law and Economics course outline for the Master's degree, and also proposed a course titled Innovation, Intellectual Property and Competition Law.

After three days of extensive deliberations in various technical sessions, the committee's convenor announced that once the revisions, additions, and amendments are factored into the existing economic curriculum of 2018, a second meeting of the committee would take place in the coming months for its finalisation. After this, the curriculum would be sent to the HEC for final approval.

Once the two modules are included in the course curriculum, showing the HEC's endorsement, it becomes easier for the CCP to persuade universities to teach them as electives.

Competition Advocacy Academia Drive



After the successful completion of the National Road Show on Competition Law in 2016, dubbed as "Competition Caravan," the Commission embarked on the "Competition Advocacy Academia Drive." The purpose of the Academia Drive was to reach out to the academic institutions of Pakistan and create awareness and understanding among the students and faculty members of the departments of Economics, Management Sciences, and Law about the competition issues. An important objective of the Academia Drive was also to introduce the "Module on Economics and Competition Law" developed by the Commission with the collaboration of King's College London.

In the phase-1 of the Academia Drive, the Commission selected 24 leading universities of the country where seminars were held. The Commission's officers gave presentations on various aspects of the Competition Law and briefed the participants on the Module. The Academia Drive received tremendous response from these universities with students and faculty members taking keen interest in the presentations.

Seminar at Fatima Jinnah Women University, Rawalpindi

The seminar at Fatimah Jinnah Women University (FJWU) was organised by the Office of Research, Innovation & Commercialization (ORIC) Department of the University. Professor Dr. Azra Yasmin, Dean, Management Sciences, Commerce & Law, Dr. Tahir Mukhtar, Chairperson, Economics Department, other senior faculty members and students of the economics, management sciences and law departments.

Professor Dr. Azra Yasmin while appreciating CCP's initiative said that "such seminars help bridge gaps between theory and practice, hence greatly benefit students by providing opportunities for learning through direct interaction with professionals,".

The Commission was represented by its Advisor Dr. Shahzad Ansar, Ahmed Qadir, Director General, Advocacy & International Affairs and Asfandiyar Khattak, Director Advocacy & Media. Presentations about various aspects of the Competition Law were also given, followed question and answer session.



▲
*CCP team with faculty members and students of
FJWU, Rawalpindi*



Seminar at Shaheed Benazir Bhutto Women's University, Peshawar

Seminar at Shaheed Benazir Bhutto Women's University Peshawar was held at the Office of Research, Innovation & Commercialization (ORIC) which was attended by Dr. Abdul Manan, Head of Law Department, Dr. Ayesha Abrar, Head of Management Sciences, Dr. Madiha Gohar, Assistant Professor, Department of Economics, and students from Economics, Law and Management Sciences.

Dr. Madiha Gohar in her speech underlined the need for close coordination between the University and the Commission for imparting the latest knowledge and training to students. CCP team included Ikram Ul Haq Qureshi, Member, Dr. Shahzad Ansar, Advisor, Noman Laiq, Director, Syed Umair Javed, Director, and Maryam Zafar, Deputy Director. Presentations on key components of Competition Law and initiatives taken by the Commission were explained to the participants.



▼
Participants of the session at SBBWU, Peshawar



Seminar at

Seminar at Peshawar University

The University of Peshawar hosted a seminar in its Department of Economics. The seminar was attended by Dr. Zilakat Khan Malik, Chairman, Economics Department, Dr. Danish Alam, senior faculty member Economics, and students of Economics and Management Sciences.

Dr. Zilakat Khan, while addressing the seminar, said that "Besides ensuring a level playing field in the economy, the Competition Law also offers great opportunities for the students of economics and law to do research and get specialized skill set for their future."

The participants were given presentations on various aspects of the Competition Law and Policy. The students and faculty members enthusiastically engaged in the interactive session. Later on, a detailed meeting by Ikram Ul Haq Qureshi, Member Cartels & Trade Abuse and Legal, Dr. Shahzad Ansar, Advisor to CCP, Noman Laiq, Director, Syed Umair Javed, Director, and Maryam Zafar, Deputy Director took place to discuss the prospects of future collaboration for creating awareness and adoption of CCP's Module as an elective subject at the University.



During the session at Peshawar University ▲

Seminar at

Bahria University, Islamabad

The interactive seminar with the faculty members and students of Bahria University Islamabad was arranged in collaboration with their Law Department. The seminar was attended by Abdur Rauf Khatana, Assistant Professor & Head of Department Law (former), Maliika Farah Deeba Malik, current HOD Law, Dr. Nadia Khadam, Senior Assistant Professor, Dr. Tauseed Ahmed, Senior Assistant Professor, Sabeen Arif, Senior Assistant Professor, Sadia Zahoor, Senior Lecturer, Ammar Sohail, Senior Lecturer, Sami ur Rehman, Senior Lecturer, Adnan Khan, Senior Lecturer, Jehanzeb Butt, Lecturer, Saira Bashir, Lecturer and students from Law Department.

The Commission was represented by Ikram ul Haque Qureshi, Member Cartels & Trade Abuses (C&TA), Shaista Bano, Director General (C&TA) while the presenters were Syed Umair Javed, Registrar & Director Legal and Noman Laiq, Director & Secretary CCP.

Students were briefed about the basic statutes of the Law. However, the deceptive marketing practices were vividly explained in a

separate presentation. Several questions were asked that were answered by the Commission's team.

Later on, the discussion on the proposed Module on 'Economics and Competition Law' was productive. The Law Department of Bahria

University not only showed interest in the Module's content but also adopted it as an elective subject for the final year LLB (5years) programme. Moreover, the Department also showed interest in launching diploma courses on Competition Law.



Participants during the seminar at Bahria university, Islamabad ▲

Seminar at

Pakistan Institute of Development Economics , Islamabad

Pakistan Institute of Development Economics (PIDE) was included in the Drive while keeping in view its relevance and contribution in the fields of research and economics. The seminar was inaugurated by Dr. Asad Zaman, Vice Chancellor, PIDE. Dr. Fazal Husain, Dean Social Sciences and other senior faculty members were also present at the seminar.

Ms. Maryam Zafar, Deputy Director, CCP briefed the participants about the concept of competition in the market and the gradual transition from Monopoly Control Authority (MCA) to Competition Commission of Pakistan (CCP). Ahmed Qadir, Director General, briefed the legal framework of competition law whereas, Dr. Shahzad Ansar, Advisor, explained deceptive marketing practices i.e. §10 of the Act.

CCP team with students of PIDE, Islamabad ▼

*Seminar at*

National University of Modern Languages, Islamabad

The seminar at National University of Modern Languages (NUML) was attended by Brig(R) Maqsood-ul-Hassan, Dean, Management Sciences, Dr. Nadeem Talib, Head Management Sciences, Jawad Jawaid, Assistant Professor, Waris Ali, Assistant Professor, Beenish Jawaid, Assistant Professor, Irum Qazi Assistant Professor, Adnan Iftekhhar, Lecturer, Ghulam Asghar, Lecturer, Alyia Khan, Lecturer and students

An animated documentary illustrating the basic concepts of Competition Law was played before the presentations. Dr. Shahzad Ansar, Advisor, in his speech emphasized for bridging the gap between academia and market professionals. CCP officials Syed Umair Javed, Director Legal, Noman Laiq, Director Office of Fair Trade elaborated the basic statutes of Competition Law through their presentations. While, after the presentations an interactive question answer session took place.

After the session at NUML, Islamabad ▲



*Seminar at***Bahauddin Zakaria
University, Multan**

After touring universities of Khyber Pakhtunkhwa, Rawalpindi, and Islamabad, the Drive entered in the agrarian province of Pakistan i.e. Punjab.

Bahauddin Zakaria University, Multan hosted seminar which was attended by senior faculty members including Dr. Saeed Akhtar, Director ORIC, Dr. Imran Sharif, Director School of Economics, Dr. Nauman Abbasi, Director IMS, Dr. Saleem Sheikh, Head of Department Gillani Law College and Dr. Tariq Ansari, Dean Faculty of Sciences.

After the presentations made by the Commission's officers, the Module on Economics and Competition Law was discussed. The faculty members encouraged the step taken by the Commission for addressing the emerging need in the field of economics and law. Dr. Imran Sharif, in his address showed interest in adopting the Module in the curriculum of School of Economics.

CCP team with senior faculty members of Bahauddin Zakaria University, Multan ▼

*Seminar at***University of
Sargodha**

The seminar at Sargodha university was well attended by senior faculty members and students.

Opening remarks, by Dr. Shahzad Ansar, Advisor, was followed by an introduction and an overview of the competition law in Pakistan which was delivered by Syed Umair Javed, Director CCP. While a detailed presentation on deceptive marketing practices and the role of Office of Fair Trade (OFT) was given by Noman Laiq, Director CCP.

After the presentations, during question and answer session students and faculty members took an active part.



▲ *University of Sargodha*

Seminar at

Government College University, Lahore

The interactive seminar was arranged with the faculty members and students of Government College University, Lahore. Senior faculty members included Uzair Ahson, Assistant Professor, Dr. Saima Sarwer, Assistant Professor, Qasim Jalil, Lecturer, Nosheen Rasool, Lecturer, Junaid Ahmed Noor, Lecturer, and Waqar Ashraf, visiting faculty.

Dr. Shahzad Ansar in his remarks emphasized on the dissemination of information which is essential for ensuring economic growth and consumer protection. He said, "the need of the hour is to have the capability to make an informed decision, this what the Commission is striving for". Ahmed Qadir, Director General, gave an overview of the competition law in Pakistan. The presentations were followed by question & answer session. Students took keen interest and asked pertinent questions.

Students during the seminar at GC University, Lahore



Seminar at

University of Punjab, Lahore

University of Punjab hosted the seminar to enlighten their students about the relevance and importance of competition law with the economy. Main guests from the university were included Ms. A.R Chaudhary, Dean NCBA & E, Ms. Kalsoom Zulfiqar, Incharge Chairperson Department of Economics, and Dr. Abdul Salam (Abdul Qadir Memorial Chair, State Bank of Pakistan).

Presentations were made to explain the important provision of competition law. Several questions were raised by students which were answered by the representatives of the Commission.

Module on Economics and Competition Law was also discussed with the senior faculty members of the university.



Participants from University of Punjab

Seminar at

Lahore College for Women University

Seminar series for Punjab ended with the advocacy session at Lahore College for Women University. The seminar was attended by senior faculty members from Economics and Management Sciences Department including Dr. Maryam Wasif, Professor, Sameera Azmat, Professor, Tahira Tauseef, Assistant Professor, Uzma Shahid, Assistant Professor, Ramsha Salim, Assistant Professor, Rabia Asif and Sobia Hassan, Assistant Professor.

Dr. Maryam Wasif welcomed the Commission's initiative to create awareness of competition law among students and faculty members. She also appreciated the proposed Module on 'Economics and Competition law'.

▼ *During the session at Lahore College for Women University*

*Seminar at*

Shaheed Zulfiqar Ali Bhutto University of Law, Karachi

The Drive was then started in the industrial zone of Sindh, Karachi. The seminar was organized at the Shaheed Zulfiqar Ali Bhutto University of Law. Justice(R)Qazi Khalid Ali, Vice Chancellor, warmly welcomed the CCP team and appreciated in the wake of efforts done by the Commission.

Ikram Ul Haque Qureshi, Member CCP, stressed the contemporary relevance and importance of competition policy in all sphere of economic activities. In his address, he identified the cases done by the Commission during its journey against cartelization and monopolistic behaviours. Later on, presentations were made about the main provisions of Competition Act, 2010.

Seminar at

Institute of Business Administration, Karachi

The awareness lecture was delivered by Syed Umair Javed and Noman Laiq, Directors, CCP.

The discussion on Module on 'Economics and Competition Law' was chaired by Dr. Mohammad Nishat, Associate Dean, Dr. Khadija Malik Bari, Chairperson Economics and other senior faculty members were also present at the meeting. Dr. Nishat wrapped up the discussion by declaring 'excited and accepted' about the Module on 'Economics and Competition Law'. He also stressed to share guidelines in order to strengthen the course outline.



▲ *After discussing the Module with Associate Dean and faculty members, IBA*



Seminar at Shaheed
Zulfiqar Ali Bhutto
University of Law

Seminar at

Institute of Cost and Management Accountants of Pakistan, Karachi

Another seminar at ICMAP served the purpose of creating awareness and increasing capacity building of students with special reference to competition law. The Executive Director ICMAP, Raza Baqir, and Director CPD & CRC, Kamran Jamil welcomed CCP team and termed this a good opportunity for their students to get first-hand knowledge from direct interaction with CCP's officials.

Basic statutes of competition law were explained in the presentations given by Ahmed Qadir, Director General, and Noman Laiq, Director CCP. Question and answer session remained interactive as queries were answered with reference to orders passed and inquiries completed by the Commission.

The seminar at ICMAP, Karachi ▼

*Seminar at*

Karachi School of Business and Leadership

The seminar at KSBL was attended by Dr. Zeeshan Ahmed, Rector and Dean, Dr. Iqbal Tahir, Registrar, Dr. Muhammad Athar Siddiqui, Director, Dr. Muhammad Imran Chaudhry, Assistant Professor, and a large number of students.

KSBL, being an eminent business school, was included in the Drive so to address their students about the practicality of competition law and policy with the changing economic dynamics of Pakistan. Presentations were made to explain the main provision of the law. Later on, the questions were also answered by the Commission's team.

During the seminar at KSBL, Karachi ▲

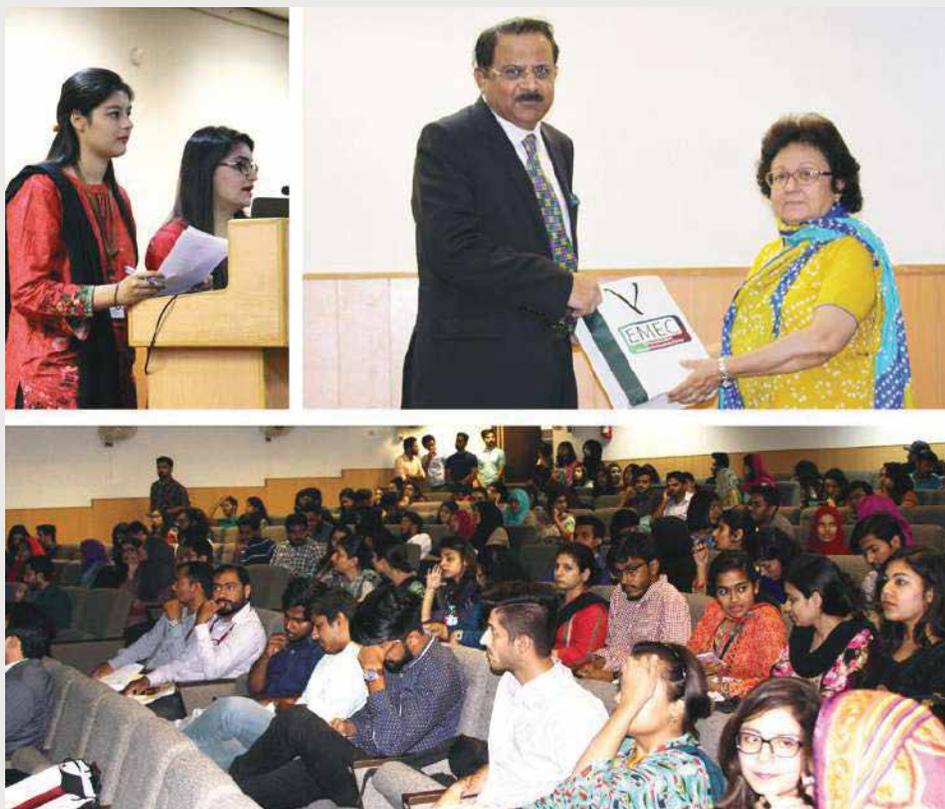


Seminar at

Institute of Business Management, Karachi

The seminar at IoBM was attended by Prof. Dr. Shahida Wizarat, Head of Economics Department, Muhammad Zubair, Senior Lecturer, along with other faculty members and students. Dr. Wizarat welcomed the CCP team and encouraged the purpose of visit in her kind words.

CCP team was lead by Dr. Shahzad Ansar, Ahmed Qadir, Director General and Noman Laiq, Director was also present at the moment. Presentations elaborating the main Sections of competition law were explained to the participants. The separate slot was allotted for the queries of students. The questions were answered by the CCP team.



CCP Member with faculty members and students of IoBM, Karachi ▲

Seminar at

Applied Economics Research Centre, University of Karachi

Applied Economic Research Centre hosted an interactive seminar which was attended by Prof Dr. Samina Khalil, Director, Dr. Asghar Ali , Assistant Prof/ Research Economist, along with senior faculty members and students.

Dr. Samina Khalil encouraged the new initiative of the Commission for escalating awareness about a relatively new field i.e. competition law among their students. "We look forward to extending our support for future collaborations in the field of economics", Dr. Khalil said.

While discussing the Module on 'Economics and Competition Law', faculty members showed interest in adopting the course in their curriculum. Furthermore, Dr. Khalil also suggested arranging workshops by using AERC platform.



During the question & answer session at AERC, University of Karachi ▲

Views on Economy

Disclaimer:

The views and opinions expressed therein are those of the authors and not necessarily those of the Commission

Looking into the Exchange Rate Fluctuations

Contributed by Senior Director, Kishwar Khan, Competition Policy and Research Department.

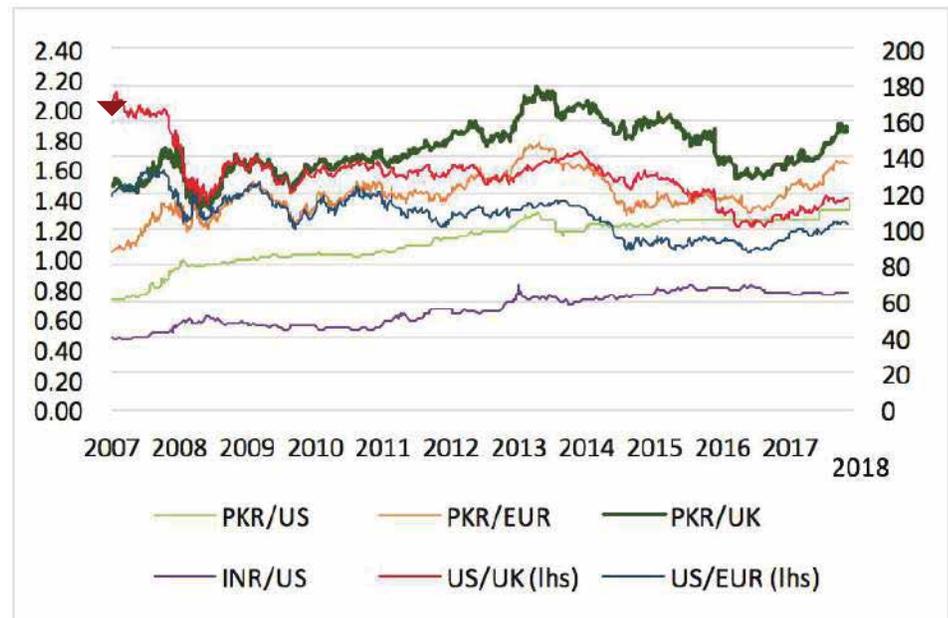
In a historical perspective, prior to the mid-1998, Pakistan had a fixed exchange rate policy. The inflation differential with the main trading partners was supervised through periodic step devaluation. In 1998, Pakistan introduced greater flexibility from a de facto peg to the US\$. This was done through a dual exchange system consisting of: i) a fixed official exchange rate; and ii) a floating interbank market exchange rate (FIBR). Accordingly, the composite rate i.e. the official exchange rate and the weighted average of the FIBR was used for authorized transactions. The purpose was to allow for increased scope for the exchange rate to be determined by market forces such that the authorized dealers were allowed to quote their own buying and selling rates. A year later, in 1999, the exchange rate system was unified. The international transactions were done through the FIBR and the official exchange rate was abolished. In 2000, the nominal exchange rate stability was maintained through a number of restrictive measures that did not allow the interplay of demand and supply. These measures included: a) direct and indirect interventions in the foreign exchange markets (both official and parallel); b) a close watch on the activities of the banks; and c) restrictions on operations of foreign exchange authorized dealers.

In view of the foregoing, the movements in Pakistani Rupee's (PKR) exchange rate are worth exploring for the crisis facing the country and the degree of competition in the economy.

The monetary and exchange rate policies aim to keep the exchange rate stable and accumulate foreign exchange reserves. These have far-reaching effects for competition and economic growth through changes in domestic prices, external debt servicing capacity, which in turn depends on the current and future foreign exchange earnings. Pakistan is facing pressure on its balance of trade due to rising imports and declining exports. Theoretically, exchange rate devaluation improves external competitiveness

and increases exports by making them cheaper. Likewise, it reduces imports and hence improves trade and current account balances. Also, the exchange rate affects competition through investment strategies. Apart from imports, exports too enlarge the market size as they provide opportunities to firms to benefit from scale economies. Thus, there are linkages: investment generates exports, which earn the necessary foreign exchange for the import of capital goods that further increase the manufactured exports. Investment is a complement to the technological change for improving export potential by enhancing production capacity and competitiveness through productivity growth and value added exports.

Figure 1: Trend of Daily-basis Movement in Exchange Rates



Source: PKR | SBP | www.sbp.org.pk |

Other currencies | US Federal Reserve Economic Data | fred.stlouisfed.org/

After 2008 (Figure 1), the Rupee witnessed depreciation against the US\$. However, during 2010/11, the Rupee fluctuated in a range of 84 to 87 per US\$ and remained relatively stable. For Pakistan, the earlier devaluation added to the public debt, increasing interest payments, while reducing fiscal space for development and capital formation.

Since 2012 onwards, the declining exports reflect a lack of policy implementation to address the issue of the over-valued currency. As shown in the Figure, the movements of various currencies in terms of US\$ partly explain the negative effect on exports. From 2014 onwards, Pakistan kept Rupee's exchange rate

stable against the US\$, which appreciated in real effective terms by 18% cumulatively over the past three years.¹ The other currencies, for instance Euro (EUR), Sterling (UK) and Indian Rupee (INR) depreciated. Pakistani Rupee, on the other hand could not maintain its value against Euro and Sterling. The net effect of currency movements was a difficult situation for Pakistani exporters than would have been in the absence of overvalued Pakistani currency. On the contrary, from 2014 to 2017, the currencies of some other Asian countries experienced depreciation against the US\$. According to an estimate, these include Sri Lanka (14.4%), Philippines (14%), India (9%), Vietnam (7%) and Bangladesh (4%).

A comparison of nominal and effective exchange rates shows a widening gap over a period of last ten



Source: State Bank of Pakistan

Figure 2: Nominal and Real Effective Exchange Rate (REER)

years (Figure 2). The glaring effect of an overvalued currency is reflected in Pakistan's balance of payments crisis. The analysis here reflects that the problems facing the country are deep rooted to address effectively the causes.

The question arises, if the recent weakening of the Rupee, in 2018, would revive exports and narrow down the trade and current account deficits. For an appropriate answer, several other factors need to be considered that affect business environment and exports. For instance, Pakistan has very concentrated exports, more than 60% are based on textiles and clothing. The overvalued currency, make our lower value added textile products more expensive, and hence less competitive in the global market. Therefore, several other pro-export measures need to be introduced, which include reducing the cost of doing business, reforms in the labour market, early resolve to exporters' grievances (e.g. duty refunds), etc. In the wake of lower foreign exchange reserves, the imports too have become unsustainable. In 2016, Pakistan was able to enhance liquid foreign exchange reserves to over \$18 billion for three months bill of imports. However, these reserves have since been declining due to widening of trade deficit and a decline in the overseas workers' remittances. From a competition perspective, this analysis of exchange rate reflects risks through erosion of macroeconomic resilience.

Several other pro-export measures need to be introduced, which include reducing the cost of doing business, reforms in the labour market, early resolve to exporters' grievances

IMF (2017), Pakistan, 2017 Article IV Consultation, press release; staff report; informational annex; and, statement by the executive director for Pakistan, Country Report No. 17/212. Available at: www.imf.org

¹ IMF (2017), Pakistan, 2017 Article IV Consultation, press release; staff report; informational annex; and, statement by the executive director for Pakistan, Country Report No. 17/212. Available at: www.imf.org

Pakistan - Macroeconomic Trends

Contributed by Senior Director, Kishwar Khan, Competition Policy and Research Department.

	GDP Growth (%)	(In percent of GDP)		(US \$ Million)			
		Tax Revenue	Investment	Exports	Imports	Trade Deficit	External Debt*
2012/13	3.7	8.7	14.96	24,802	40,157	-15,355	44,350
2013/14	4.1	9.0	14.64	25,078	41,668	-16,590	48,978
2014/15	4.1	9.4	15.71	24,089	41,280	-17,191	47,832
2015/16	4.5	10.7	15.55	21,972	40,450	-18,478	52,980
2016/17 P	5.3	10.8	15.78	16,107	33,889	-17,782	53,693

Note: P – Provisional

*Public and Publically Guaranteed Loans

Source: Pakistan Economic Survey (PES) | (various issues)

Table 1: Pakistan - Key Economic Indicators

Competition and the performance of the economy are intrinsically connected, each facilitating the enhancement of the other. A well-performing economy creates space for the expansion of industry, which in turn, generates opportunity for increased competition. Likewise, competition in the domestic economy promotes economic growth, as market forces allocate resources optimally, and strive for efficiency and innovation. In this backdrop, this article traces the behavior of certain critical components of the Pakistani economy that are crucial for competition.¹

From 2013-2014 onwards, Pakistan's GDP growth remained encouraging as shown in the following Table. The GDP grew by 5.28 per cent in 2017, which is the highest in the decade. However, the state of the economy is weakening due to continuous reduction in exports and low revenue collection.¹

The key variables show risks and vulnerability of the economy while facing internal and external shocks. These include the rising debt to GDP ratio, falling exports and continued trade deficit. The low tax-to-GDP ratio forced the government for high borrowings from external sources as well as from the commercial banks. In 2016, the debt to GDP ratio reached to 67.6% (47% domestic and 21% external). This is projected to reach to 69% of the GDP in 2018. The obvious outcome of the shrinking fiscal space is a decline in the capacity to finance development expenditure and spending in social sectors, which shape the business environment

in a number of ways and affects eventually the level of competitiveness.

The statistics reveal an imbalanced tax base, where a large informal economy being undocumented, remains out of the tax net. This particular aspect of dualism puts tax payers at a disadvantage and results in unfair competition - firms in the formal sector pay taxes, and others in the unorganized sector, do not. Tax evasion, and for that matter, an undocumented economy, affects the state of competition.

The debt issue is deep rooted that affected the investment climate in the country. The shift of deficit financing from external and non-bank sources to heavy borrowings from the State Bank and scheduled banks led to a crowding out effect. It distorted credit conditions for the private sector, where the creditor's risk was higher. The banking sector's lending preference to the government, a safe borrower, reinforced the decline of private sector investment, which was crucial for economic growth. The outcome of this trend is a low investment in the manufacturing sector - only 1.6% of the GDP. This situation is aggravated, as Pakistan is ranked, after slipping three places, 147th amongst 190 economies in the 'ease of doing business' estimates of the World Bank.² This reflects an environment that is not conducive to vibrant commercial activity and well-functioning

competitive markets.

Turning towards the external sector, the trade deficit was the highest in 2015/16 (Table 2). During 2015 to 2017, the current account balance reached from US\$-2.8 billion to US\$-12.1 billion. The balance of trade remained in deficit, as exports declined from US\$24.1 to US\$21.7 and imports increased from US\$41.4 billion to US\$48.6 billion.



¹ Government of Pakistan, Pakistan Economic Survey, various issues. Available at: <http://www.finance.gov.pk/>
² World Bank, Doing Business Report, 2018. Available at: <http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Profiles/Country/PAK.pdf>

(US\$ Billion)

	2007-08	2012/13	2013/14	2014/15	2015/16	2016/17*
Current Account Balance	13.9	2.5	3.1	2.8	4.9	12.4
Trade Balance	15.2	15.4	16.6	17.3	19.3	26.6
Capital & Financial Account Balance	8.5	0.5	6.9	5.4	7.6	10.5
Balance of Payments	5.4	2	3.8	2.6	2.7	1.9

◀ *Table 2: Balance of Payments*

Note: *Provisional - July-March

Source: | PES | (various issues)

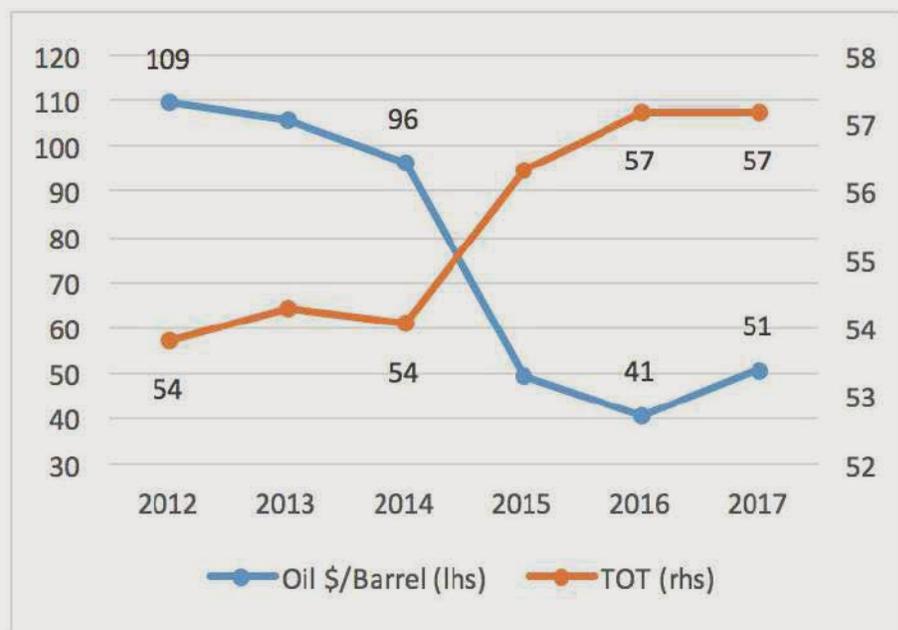
To some extent, the rising imports reflect an effort to deal with supply-side bottlenecks in energy, infrastructure and logistics.³ For instance, in 2017, capital goods contributed more than half of the increase in imports.⁴ In the absence of revenues from exports, the financing for rising imports is a matter of serious concern. Over the years, Pakistan's exports became more concentrated in the Textiles and Clothing. Their share in exports, on average, was 56% during the decade, which peaked in 2017 at 62%. In the textiles and clothing too, the 96% of the exports are in the broad category of 'cotton & cotton textiles'. This situation of lack of diversification and inadequate integration within the international trading system is considered as a 'vulnerability'. Based on this, Since 1 January 2014, Pakistan is a beneficiary to the European Union's Generalised Scheme of Preferences Plus (GSP+) for 'vulnerable' economies.⁵ Despite this favorable scheme of tariff preferences, it is observed that there remains pressure on the balance of payments.

As shown in Figure 1, the balance of trade faced pressure from rising oil prices⁶ coupled with unfavorable terms of trade (TOT) since 2012. Considering that the exports are falling and the oil prices are increasing again, the pressure on trade balance is not likely to ease. The economy will face negative repercussions of insufficient foreign exchange reserves along with severe financial conditions to meet rising external obligations and rising oil prices.

The macro-economic indicators discussed here are crucial for competition to flourish. The present circumstances demand serious efforts to stop the declining trend of investment in the industrial sector. Widening tax collection processes will eliminate unfair competitive advantage to the undocumented economy. It will also enhance the fiscal space for public expenditure on health, education and overall human resource development, which eventually add to productivity. Serious efforts are required to enhance Pakistan's export competitiveness so as to reduce trade deficit. For this, the businesses need favourable and rational policies and a reduction in cost of doing business.

Serious efforts are required to enhance Pakistan's export competitiveness so as to reduce trade deficit.

Figure 1: Trend in Terms of Trade and Oil Prices



Source: TOT | PES | (various issues)

OPEC Oil prices | www.statista.com |

Source: TOT | PES | (various issues)

OPEC Oil prices | www.statista.com |

³ In the first half of 2016/17, the imports increased in the categories of fuel 12% (for more electricity generation and transportation); machinery 41% (power generation equipment 113%, construction machinery 55%, buses and heavy commercial vehicles 19%).

⁴ State Bank of Pakistan (2017), Second Quarterly Report for FY17, Chapter 5, pp. 63. Available at: <http://www.sbp.org.pk/reports/quarterly/fy17/Second/Chap-5.pdf>

⁵ The GSP+ arrangement fully removes tariffs on more than 66 per cent of all tariff lines. The Scheme has certain conditionalities relating to human and labour rights, governance and environment protection. These conditionalities have to be fulfilled to continue the preferential treatment.

⁶ Average annual OPEC crude oil price (in U.S. dollars per barrel), available at: <https://www.statista.com/statistics/262858/change-in-opeac-crude-oil-prices-since-1960/>. Accessed August 2017



The Role of Small and Medium Enterprises in the Economic Development in Pakistan

Contributed by Deputy Director, Maryam Zafar, Competition Policy and Research Department.

Since the last three decades the significance of small and medium enterprise (SME) in economic development and growth has been increasingly recognized all over the world. Empirical evidence from around the world economies suggests that SMEs not only contribute to the GDP growth and increase employment level but also distribute the economic benefits more equally. SMEs play an important role in the development of competitive markets and advance competition in the market. Greater number of these monopolistically competitive SMEs not only increase consumer choice but the consumers also pay competitive prices for quality products.

Private sector enterprises can be disaggregated into large enterprises, SMEs and the microenterprises. The large scale enterprises in order to be more efficient and productive use capital intensive and labour saving technologies. Whereas the SMEs and the microenterprises do not use capital intensive technology and instead are labour intensive thus generating higher employment. The SME sector does not require large amount of capital to start up and grow but can generate moderate to high incomes for a large number of people. Empirical evidence also shows that the Total Factor Productivity (TFP) is maximum where the size distribution of firms fall in the SME range.

SMEs growth has been behind the miracle economies of Taiwan and Korea in East Asia. These economies successfully integrated the SMEs into the export process. Similarly China's economic growth is driven by SMEs in terms of its contribution in the GDP, diversification of products and creation of employment. Important lessons must be learnt from these Asian economies as to how the SME sector has been advanced as an engine of economic growth and development.

In Pakistan Small and Medium Enterprise Development Authority (SMEDA) an autonomous body under the Ministry of Industries and Production provides the necessary services to help the SMEs. According to SMEDA, SMEs constitute 90% of all enterprises in Pakistan, employ 80% of the non-agricultural labour force and contribute 40% in the GDP. A country comparison for the year 2016-17 is presented in the table below;

SMEs not only contribute to the GDP growth and increase employment level but also distribute the economic benefits more equally

Source: SMEDA, other international official websites

Countries	Percentage of SMEs	Contribution to GDP in Percentage	Percentage of Labor force
Pakistan	90%	40%	80%
India	95%	30.74%	40%
China	99%	60%	80%
Malaysia	98.5%	36.6%	65.3%
Taiwan	97.73%	30.71%	78.19%

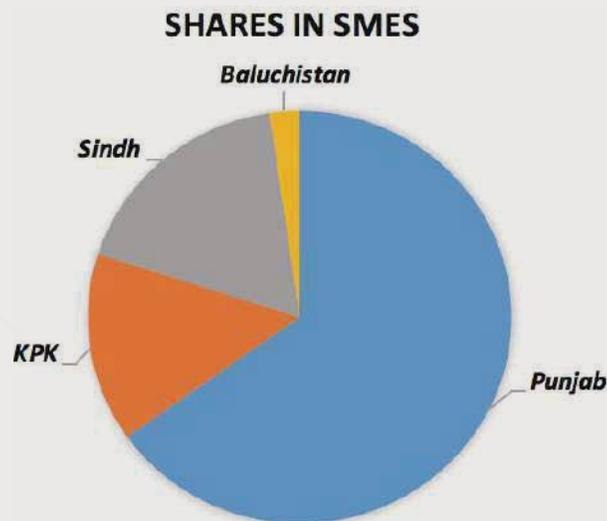
In Pakistan the SME sector has remained an untapped potential for economic growth and foreign exchange earnings through their role in international trade. From a pure economic prospective there is a tradeoff between using resources for SME growth but at the same time the efficiency gains through savings, investment and technology use are much higher in SMEs.

In Pakistan there are a number of factors that impede the SME sector success and contribution to the economic development and growth. The microeconomic policies for the support of SME are more promising. Marketing the SME products also constitutes a key challenge for many SMEs. This is done through trade fairs at home and abroad. However the institutional support required for marketing support is weak. Technological up gradation is also central to the continued success of SMEs and is best provided by decentralized institutions, industry associations, NGOs or by local governments. Access to credit is also a key factor behind the SME sector growth. It is important for the financial system to recognize the right borrowers for allocation of credit. Education and training is another factor that supports the SME sector growth and development. Since the SMEs do not have the capacity to train in-house because of the lack of sufficient funds and also due to the fear that the trained resource will be poached away by other firms. Therefore the need to have training institutions for the development of SME clusters is quite significant.

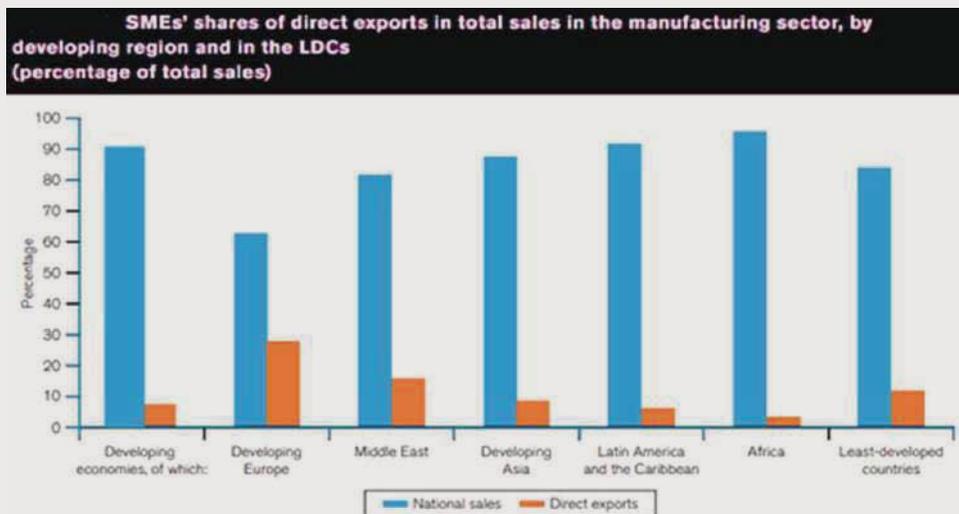
Recently to promote the SME sector and its role in sustained economic growth State Bank of Pakistan, SMEDA and Securities and Exchange Commission of Pakistan (SECP) have collaborated. The State Bank of Pakistan has introduced annual targets for SME financing by Banks/DFIs. It has also introduced credit guarantee scheme for small and rural enterprises, similarly sector specific credit facilities have also been initiated. SMEDA is providing the business development services such as financial analysis, prefeasibility studies, and business plan. SECP has taken certain initiatives such as facilitation and growth of SME sector through private equity (PE) and Venture Capital (VC) funds (as an alternate source of funds), introduction of SME board for listing on the stock exchange, and setting up of facilitation counters at the Chambers of Commerce and Industry. These initiatives are promising for the SME sector growth and revival and their economic effects will be visible in medium to long run.

The bar chart gives a snapshot of SMEs contribution in the national sales (manufacturing sector) and direct exports. The graph shows that there is variation in SME sales in relation to direct exports among the regions. Developing Europe is performing better than the rest of the developing countries as these have linked the SME sales with the direct exports.

There is a growing consensus that the SMEs will play a major role in the future because of their efficiency, flexibility, innovation, resistance to external shocks and employment creation. It must be stressed that the success of SME sector in Pakistan also depends on its ability to participate effectively in the international trade. Pakistan's GDP growth rate for the year 2016-17 is 5.28% with an average growth of 4.41% (last 5 years), for sustained growth with more equitable distribution of income and resources Pakistan must promote the untapped potential of SMEs as these lead to better utilization of scarce resources. Consequently through a dynamic SME sector productive and allocative efficiency will be achieved. It is expected that through supportive and effective policy at local level the SME sector can make a major contribution to the Pakistani economy in terms of not only income and employment generation but also a more equitable distribution of resources.



Source: All Pakistan Business Forum



Source: World Trade Report 2016-
Levelling the trading field of SMEs,
WTO



The Digital World of Cryptocurrency

Contributed by Deputy Director, Maryam Zafar, Competition Policy and Research Department.

The Fiat money commonly used for transactions, store of wealth and for unit of account purpose has evolved over the centuries and its roots can be traced back to barter system. Historically grains, fur, gold, silver and even cigarettes have been used as a form of money. Where previously the various forms of money had an intrinsic value, the fiat money which is also affirmed as the legal tender by the central bank and the government, has no intrinsic value and is not backed by any physical commodity. Fiat money is the legal tender because the government and the central authorities affirm it to be accepted for all transactions and payments.

Over the past few years a digital currency called cryptocurrency has been growing popularity among investors throughout the world. The creator of this digital currency Satoshi Nakamoto, no proof of him being a real person, was also the creator of the first virtual currency 'Bitcoin' which is in existence since 2009. Bitcoin emerged after the world financial crisis of 2008. Unlike the legal tender, the digital currency-cryptocurrency is built on the decentralized governance model. There is no central bank to control the supply and demand of the cryptocurrencies, it is controlled by all stakeholders and is based on the free market economy model. Cryptocurrency allows people to bypass the banking system and the traditional method of payments for goods and services. In case of Bitcoin there is a core team of developers who maintain the codes, bug fixes and technology updates. However this core team does not own Bitcoin and simply act as control agents.

Cryptocurrencies are digital currencies and do not exist physically. These are borderless currencies and anybody can own them provided the person has a PC or a smartphone. For buying or selling of these cryptocurrencies a digital wallet is created. Just like stocks are traded on the stock market in a similar manner the various cryptocurrencies are traded. In case a person wants to convert these cryptocurrencies into dollars or other currencies it can be done through special digital platforms. Currently the various cryptocurrencies traded and transactions made through them are done in U.S, Europe and Japan. The various trading platforms for these cryptocurrencies charge a fee for the

transactions made. All cryptocurrencies are not equally attractive and therefore only few of them are accepted for transactions, such as Bitcoin, Ethereum and Litecoin. Transactions in these digital currencies (transfer of funds) is made through two digital wallets (buyer and seller).

Today more than 30 digital currencies are in existence. Among the existing cryptocurrencies the prominent ones include Bitcoin, Ethereum, Ripple, Litecoin, Monero among others. These virtual currencies are highly volatile and speculative. In December 2017 the price of Bitcoin rose to \$11,379 and later plunged to \$9,146 before it rose again to \$10,700. Only in the year 2017 the price of Bitcoin surged by more than 900%. This lack of stability can cause the investors loss of capital. Previously Bitcoin had 80% of the market capitalization however now Bitcoin's share is roughly 42%.



Rank	Cryptocurrency	Market Capitalization
#1	Bitcoin	\$194 billion
#2	Ethereum	\$85 billion
#3	Ripple	\$41 billion
#4	Bitcoin Cash	\$22 billion
#5	Litecoin	\$12 billion

The top 5 cryptocurrencies by the market capitalization are presented in the table

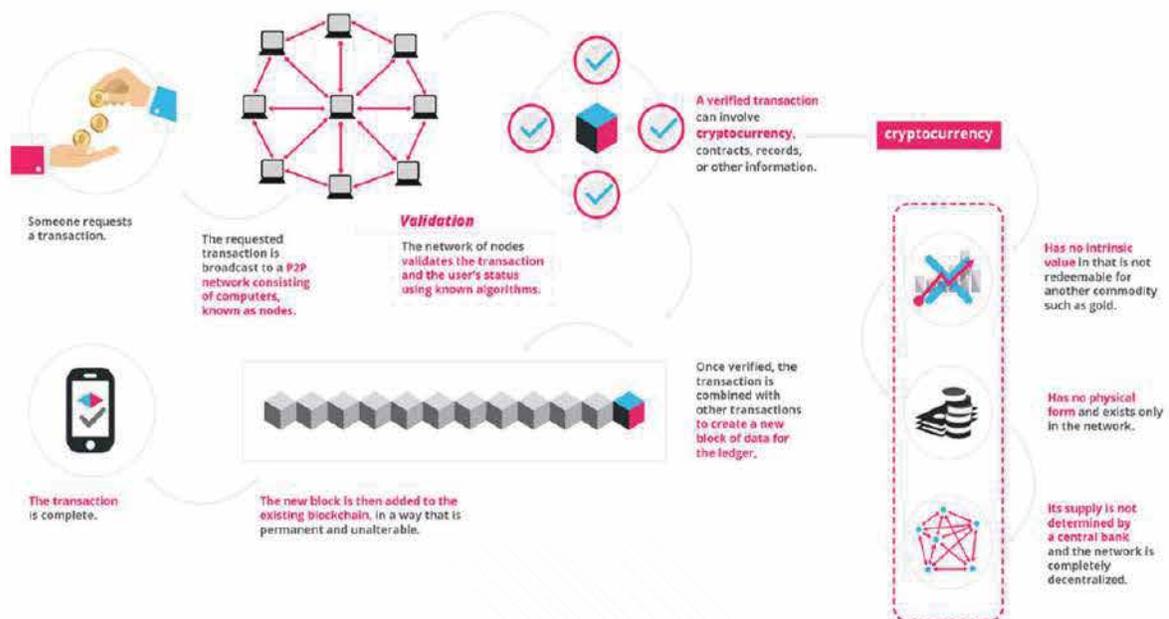
Source: World Economic Forum, 'Comparing 25 of the biggest cryptocurrencies'

Anything can be used as money as long as it is able to perform three important functions; medium of exchange, store of value and unit of account. Cryptocurrencies can serve as a medium of exchange when two parties are willing to transact in it. There are many different cryptocurrencies of which Bitcoin is the most prominent. As a store of value Cryptocurrencies such as Bitcoin is highly volatile and speculative. In this sense these Cryptocurrencies do not perform the store of value function. Similarly due to their volatility and unpredictability these virtual currencies cannot be used to value and compare economic goods and services. In other words these cryptocurrencies cannot perform the third function of money- unit of account.

Cryptocurrencies are based on the blockchain technology, whereby when a transaction is made it is recorded on the blockchain and cannot be changed or deleted, it is recorded on a public ledger. Any transaction in the digital currency

Over the past few years a digital currency called cryptocurrency has been growing popularity among investors throughout the world

is confirmed by a process called mining. Miners are individuals who record the transactions on the public ledger and charge a fee for the transaction and thus create a permanent block which is available for public viewing. It is just like a brick in the wall which keeps on building by putting the bricks in place. It is an electronic ledger where all transactions get recorded. The blockchain software is explained below;



Source: <https://blockgeeks.com/guides/what-is-blockchain-technology/>

Cryptocurrencies are not regulated by any central bank, who adjust the supply of a cryptocurrency according to the demand. Therefore there is volatility in the value of cryptocurrencies. These cryptocurrency transactions on the blockchain maintain anonymity and lack transparency. The digital currencies present perfect medium of exchange for money launderers, drug dealers, tax evaders and other illegal activities since they do not have to go through the conventional banking process.

Policy makers and regulators are therefore concerned about the digital currencies being used as an ideal platform for illegal activities. Many countries across the globe including India, China, Korea do not recognize cryptocurrencies

as a legal tender because of them being associated with illegal activities and speculative in nature. It is argued that these digital currencies (Bitcoin as the leader) are a bubble ready to be burst. The State Bank of Pakistan also does not recognize these digital currencies as a legal tender. The trading in these cryptocurrencies is causing monetary loss to the national exchequer. The Federal Investigation Agency (FIA) has further recommended the government of Pakistan to declare Bitcoin and other cryptocurrencies illegal to trade.

ANTI-COMPETITIVE PRACTICES



A Decade of *consumer* protection **Competition Law**

2007 - 2017
and the journey goes on

Protecting consumers from

- *Abuse of dominant position*
- *Deceptive marketing practices*
- *Prohibited agreements*
- *Anti-Competitive mergers*

CCP is not only a market regulator but also a market developer and remains committed to Pakistan's economic growth through robust competition and fair business practices.



3 Star Rating Agency

by Global Competition Review

Countries with the same rating:

Austria	New Zealand	Switzerland	Singapore
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for deceptive marketing practi

CCP imposes Rs2.7 million penalties on nine companies

Deceptive marketing campaign CCP slaps Rs15m penalty on three housing schemes

Mehtab Haider
ISLAMABAD: The Competition Commission of Pakistan (CCP) has slapped penalties of Rs2.5 million each on Eden Builders (Pvt.) Limited and Green Field Developers (Pvt.) Limited as well as Rs10 million on Vision Developers (Pvt.) Limited for deceptive marketing campaigns. The CCP has passed three orders imposing penalties of Rs2.5 million each on Eden Builders (Pvt.) Limited and Green Field Developers (Pvt.) Limited as well as Rs10 million on Vision Developers (Pvt.) Limited for deceptive marketing campaigns. The CCP has passed three orders imposing penalties of Rs2.5 million each on Eden Builders (Pvt.) Limited and Green Field Developers (Pvt.) Limited as well as Rs10 million on Vision Developers (Pvt.) Limited for deceptive marketing campaigns.

directed them to "Taizgaam" with their... The CCP's order... labelling of Al-Rehman... products was misleading... and could harm its business... Such conduct was intended... advantage of the goodwill... the complainant's trademark... companies were also directed... individual compliance reports... CCP within 30 days.
CCP is mandated under... Competition Act to ensure... petition in all spheres of com... and economic activity, to en... economic efficiency and to... consumers from anti-compet... practices including decepti...

By our correspondent
ISLAMABAD: The Competition Commission of Pakistan (CCP) has imposed a penalty of Rs2.7 million on nine companies for fraudulently using the trademark of another company, a statement said on Wednesday.
Bahawalpur-based Al-Rehman Oil Mills complained to CCP against nine companies, namely Niaz Corporation,

Mills for fraudulently using its registered trademark, 'Taizgaam,' with slight modifications in their marketing material. The complainant said this practice by these companies was harming its business interest and its hard-earned goodwill among consumers. The CCP's enquiry found that the nine companies were infringing the trademark and imitating the trade dress (packaging size, colour combinations, logo design, label design, text, etc.) of the complainant. The CCP has issued notices to them on the recommendation of the enquiry report. During the proceedings, the complainant complied with the CCP's requirements. The penalty of the nine companies is Rs2.7 million each. The CCP has also issued notices to the nine companies under Section 10 of the Competition Act, 2010. Show cause notices were issued to them on the recommendation of the enquiry report. During the proceedings, the complainant complied with the CCP's requirements. The penalty of the nine companies is Rs2.7 million each. The CCP has also issued notices to the nine companies under Section 10 of the Competition Act, 2010. Show cause notices were issued to them on the recommendation of the enquiry report.

CCP to discuss competition concerns in sugar sector on Jan 25

attended by the farmers, sugar mill owners, consumers, trade and industry representatives. The CCP will discuss the concerns of the various stakeholders in the sugar sector. The CCP will discuss the concerns of the various stakeholders in the sugar sector. The CCP will discuss the concerns of the various stakeholders in the sugar sector.

CCP imposes Rs1m penalty on frozen foods company

OUR STAFF REPORTER ISLAMABAD
The Competition Commission of Pakistan (CCP) has passed an order imposing a penalty of Rs 1 million on a frozen foods company, Kitchen Stone Foods, for a deceptive marketing campaign for its 'Kitchen Stone Foods' brand. The CCP has passed an order imposing a penalty of Rs 1 million on a frozen foods company, Kitchen Stone Foods, for a deceptive marketing campaign for its 'Kitchen Stone Foods' brand.

مسابقہ کا فائنل ایوارڈ

پولٹری سیکٹر میں ممکنہ کولوشن کا جائزہ لے کر

پولٹری سیکٹر میں ممکنہ کولوشن کا جائزہ لے کر

Probe into possible collusion in poultry sector initiated

STAFF REPORT ISLAMABAD
The Competition Commission of Pakistan (CCP) has initiated an enquiry into possible collusion between various market players to set prices in the poultry sector. CCP initiated the enquiry under its suo motu powers after strong indications of organised communication between poultry sector players relating to poultry prices came to light. In this regard, a team of authorized officers of CCP recently inspected premises in Lahore that was in use of a poultry association and impounded material evidence. The enquiry committee with the investigation will examine all the evidence and present a report. It is expected that the investigation will be completed in the next few days.

CCP imposes Rs1m fine on company for deceptive marketing

Our correspondent
ISLAMABAD: The Competition Commission of Pakistan (CCP) has imposed a fine of Rs1 million on a company for deceptive marketing practices. The CCP has imposed a fine of Rs1 million on a company for deceptive marketing practices.

Three builders fined for deceptive marketing

By Our Staff Reporter
ISLAMABAD: The Competition Commission of Pakistan (CCP) has imposed penalties on three real estate builders for deceptive marketing practices. The CCP has imposed penalties on three real estate builders for deceptive marketing practices.

پولٹری سیکٹر میں ممکنہ کولوشن کا جائزہ لے کر

پولٹری سیکٹر میں ممکنہ کولوشن کا جائزہ لے کر

Call to revamp sugarcane sector

IMRAN ALI KUNDI ISLAMABAD
Pakistan Sugar Mills Association (PSMA) on Thursday called for revamping the whole system of sugarcane sector to protect the interests of all stakeholders. Representatives of the PSMA said that existing system of sugarcane has many flaws, which should be plugged up. They highlighted the problems faced by the millers and the producers. They called for urgent intervention from the government to resolve their problem. The representatives of the government, including the Ministry of Agriculture, Livestock and Fisheries, and the Ministry of Commerce, Industry and Textiles, are expected to meet with the PSMA representatives in the coming days.

CCP recommends amendments to laws taxing tobacco

Mehtab Haider
ISLAMABAD: The Competition Commission of Pakistan (CCP) has recommended amendments to laws taxing tobacco. The CCP has recommended amendments to laws taxing tobacco.





Competition Commission of Pakistan
Creating a level playing field



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