



Competition and Consumer Protection amid and after COVID-19

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Economic Impact of COVID-19 (1)

- Domestic lockdown measures to contain the spread of coronavirus.
- External effects:
 - collapsing exports,
 - dwindling remittances, and
 - tightening international credit conditions.
- Sectors adversely affected: Tourism, airlines, hospitality business and textiles.
- Positively affected sectors: E-commerce and digital platforms.



Example from Garment Manufacturing

- Garment manufacturing, a main development driver for LDCs such as **Bangladesh, Cambodia, or Myanmar**, has been hit hard by COVID-19.
- Domestic **demand shock**: Massive cancelation of orders as retail shops in importing countries closed.
- Domestic **supply shock** caused by mandated factory closures.

Consequence:

1. By end of March 2020, a quarter of the 4 million mostly female Bangladeshi garment workers had been fired or furloughed.
2. In the first half of April 2020, garments exports from Bangladesh declined by more than 80 per cent on a year-to-year basis.



Economic Impact of COVID-19 (2)

- **Commodity prices** dropped due to collapse of demand.

Ex: Petroleum -26% on a yearly basis as of October 9

Wool	-33%
Coal	-15,5%
Lead	- 17,4% etc.

- The **collapse in the demand for commodities** has hurt significantly the economy of a number of developing countries like oil exporters.
 - In March 2020, IEA estimated that key oil producing countries, including Iraq, Nigeria and Angola, would likely see a drop in their net income for 2020 of 50%-85% compared with 2019.



Economic Impact of COVID-19 (3)

- **Remittances:** Reduced demand for migrant workers and travel bans imposed by receiving or sending countries will drastically reduce remittances, which are essential in many LDCs.
 - Before the pandemic around 270 million people lived outside their country of birth and sent nearly \$700 billion in remittances to their home countries.
- According to the IMF, **remittances** from USA, which represent about 14% of all remittances, are expected to decline by 15% in 2020. Remittances from Europe, which represent 19% of remittances, are expected to decline by 19%. Remittances from the Gulf region which account for 18% of all remittances are expected to decline by 13%



Economic Impact of COVID-19 (4)

- In the first half of 2020, **FDI flows to developing countries** decreased by 16% compared to 2019 - less than expected. Flows were dropped by:
 - 28% in Africa,
 - 25% in Latin America and the Caribbean
 - 12% in Asia, mainly due to resilient investment in China,
 - 81% in transition economies due to a strong decline in the Russian Federation.
- **FDI flows to developed countries** declined by 75% compared to 2019.
- Global FDI flows dropped by 49%.



Policy responses to mitigate impact of COVID-19 (1)

1. Financial support / economic stimulus measures:

- State aid for distressed industries (for example air transport)
- Targeted policies to support vulnerable SMEs, including specific financing lines, low-cost or zero interest loans, payment of salaries through public funds, postponement of various tax payments and social security contributions, and postponement of loan payments.
- Measures to lighten the financial and procedural burden of personal tax, public utility, credit card, loan and mortgage payments.

2. Export restrictions

- 80 countries introduced (mostly temporary) export bans or restrictions due to COVID-19;
- 40 countries implemented outright bans on exports of certain drugs, pharmaceutical ingredients, or medical equipments;
- 17 countries imposed restrictions on food exports (rice, wheat etc.).



Policy responses (2)

3. Disruptions to cross-border trade

- Due to concerns that truck drivers will spread Covid-19, member States in some regions introduced new measures at borders that disrupted trade and led to days-long queues at borders.

4. Reconsidering supply chains

- Need to reconsider how supply chains operate: Ex: Regionalization of supply chains.
- Africa suffered a significant blow as a result of the Covid-19 - induced disruption to GVCs. This, given AfCFTA framework, strengthened the case for developing intra-African regional VCs and unlocking the continent's business potential.
- In South Africa, U-Mask has redirected its production from protective masks for mining and agricultural companies to medical respirator masks.
- In Nigeria, the National Agency for Science and Engineering Infrastructure produced the first made-in-Nigeria ventilators.



Policy responses (3)

5. Exemptions from competition law

- South Africa: Exemption from the application of sections 4 and 5 of the Competition Act (prohibiting anticompetitive horizontal and vertical agreements) - Covid-19 Block Exemption for the Healthcare Sector.
- Norway – Airlines industry.
- UK- Exemption of cooperation agreements between rival retail businesses to ensure access of consumers to essential products.
- Authorization of horizontal agreements in R&D for pharmaceutical companies to accelerate the development of a vaccine against COVID-19 and other related treatments (US and Australia).

6. Adapting timelines for mergers and acquisitions and other investigations by competition authorities.



Implications of COVID-19 for markets

- Markets disrupted, bankruptcies and firm exits expected, increase in unemployment.
- Expected increase in Mergers & Acquisitions and market concentration in the medium/long-run.
- Recent UNCTAD research found that the share of surplus profits* in total profits, at the global level, has increased from an average of 4% in 1995-2000 to 21% in 2009-2015.
- The rise in the magnitude of surplus profits, mostly driven by top corporations, rising markups and increasing market concentration points to reinforced market power.
- Weakened competition.
- Higher prices, lower choices, less privacy, lower wages.



Implications of COVID-19 for Consumers

1. Hoarding and price gouging/overcharging of basic consumer products (masks, hand sanitizers)
2. Misleading advertising related to miracle products
3. Cancellation of public events, tourism services, and air transport tickets
4. Financial frauds related to false donations and phishing techniques
5. Unjustifiable increment of product prices/price caps
6. Giving priority to virtual channels over face-to-face channels for consumer claims, dispute resolution and redress



The way forward for an inclusive recovery -1

- Adopting strategic trade and industrial policies to support essential sectors and preserve jobs. In pursuing these policies, maintain a competitive business environment at the national/regional level.
- Engaging competition authorities in the design of economic stimulus measures. These measures should be clear, transparent, proportionate, non-discriminatory and temporary in nature.
- Monitoring implementation of these measures to minimize abusive practices.



The way forward for an inclusive recovery - 2

- Competition expected to weaken, market concentration likely to rise further, reinforced market power of firms in post-COVID-19 period. So need for strong competition law enforcement.
- Big technology companies have grown out of COVID-19 crisis bigger and stronger. Abuse of dominance by big digital platforms may go beyond the reach of existing competition laws. Need for new and complementary competition tools and ex-ante regulations to tackle dominant digital platforms. Ex: EU upcoming ex-ante regulation of gatekeeper platforms.



The way forward for an inclusive recovery - 3

- COVID-19 crisis left consumers more vulnerable than before to unfair and misleading practices. Need to better protect and empower consumers.
- Need to monitor business practices aiming to duly protect consumers' health and safety; to prevent unfair, misleading, fraudulent and abusive commercial practices in electronic commerce; better protection of consumers online; strengthening consumer financial protection.
- Solid legal instruments to enable consumers to exercise their right to refund in case of cancellation of travel due to a health crisis in the best and quickest way possible.
- Strengthening digital and financial consumer literacy to ensure all consumers can benefit from the 'new normal.'



The way forward for an inclusive recovery - 4

- International cooperation between competition and consumer protection authorities throughout the world is key to:
 - dealing with cross-border anti-competitive practices and global mergers; and
 - combating fraudulent and deceptive cross-border commercial practices, in a more efficient and effective way.
- In a global economy dominated by a few multinational companies, to be more so post-COVID-19 period, regional economic or trade frameworks may be more effective in an inclusive economic recovery.
- Regional policy coordination and cooperation for an inclusive economic recovery.



Conclusion

The COVID-19 crisis revealed the important role played by **competition and consumer protection policies and respective authorities**, which responded in a very timely, appropriate and effective manner to the immediate challenges arising from this crisis.

Governments need to **resource** and **engage** more with their competition and consumer protection authorities in policy making; empower them both legally and financially to **protect and promote competition** and to **better protect consumers** in the post-COVID-19 period.

