

## Reviews

### NEW APPROACHES TO COMPETITION POLICY

Competition policy is an important part of economic policy in each country. Due to the influence of the development of globalization processes in the world, the competition policy has gradually become a significant dimension in the creation of state's economic policy. On the other hand, modern competition policy leads to the increase of competitiveness of undertakings, upturn of financial situation and business outcome, investments and innovations, as well as the growth of economic welfare.

Theoretical and practical aspects of the competition policy have been analyzed by a number of foreign authors, such as V. Korah, M. Motta, J. Faul and A. Nikpay, A. Jones and B. Sufrin and others. In Lithuania this subject, however, lacked attention and analytical approach. The gap was filled by the monograph of ass. prof. dr. Rimantas Stanikūnas, "Competition Policy: Theory and Practice", which was published by the publishing house TEV. Ass. prof. dr. Rimantas Stanikūnas indicated a precise objective of the analysis in his study – framing the goals of competition policy and having regard to them analysis of the behaviour of undertakings based on the rules of fair competition. To this end, appropriate methods of investigation, i.e. systematic, logical analysis, elaboration and generalization of information, and sources of information (scholarly pub-

lications of various foreign authors, recommendations of the International Competition Network (ICN), European Union legislation, legislation of the Republic of Lithuania, archival materials etc.) have been chosen. Therefore, a consistent and logical structure of the monograph has been framed and the objective has been attained.

At first, the concept of competition policy and its goals, policy of industry and competition links, the genesis and enforcement of competition rules are examined in the monograph. Further on, separate parts of competition policy (subjects that form and implement competition policy) and particular objects of competition policy are coherently elaborated. A significant part of the study is dedicated to the state aid and the analysis of the damage of anti-competitive behaviour (although these issues are not directly relevant to the object of competition policy, their impact to it can be significant in general).

The analysis of the competition policy concept and objectives, done by R. Stanikūnas, not only highlights and scrutinizes the significance of the competition concept, but also provides us with a more thorough definition of it as compared to other authors: "Competition is a process of contention for markets and consumers by which economic benefit is sought"

(p. 13). The author reiterates that all competitors competing in the market must observe certain rules, laws and other legal acts, that prohibit the monopolization of the markets, abuse in the market when a big market power is possessed or entering into agreements that restrict competition among competitors. Taking this provision into account, R.Stanikūnas defines the competition policy, in a broad sense, as a system of laws that regulate competition, i.e. the whole complex of measures, the functioning of laws and supervision system, that ensures fair competition and the maintenance of its level in the markets (p. 14). The author has also modelled a structure for the competition policy, which consists of: 1) the Seimas (Parliament, Government), 2) Law on Competition and other laws that regulate competition rules, 3) Courts, 4) European Commission, and 5) the Competition Board. The goals of competition policy that the author framed and scrutinized in his study are of significant theoretical nature: economic welfare, fight against inflation, protection of small and medium undertakings, economic freedom, integration of the market *etc.* These goals provide the governments of states with a useful instrument that can be invoked to create an effective competition policy.

The analysis of the relationship between the competition and industry policies revealed in the study is especially noteworthy. The author successfully highlighted the possible contradictions between the competition policy and the industrial policy, which can emerge when the government promotes segregated undertakings or particular fields of industry by various economic measures that are capable of making influence on the welfare of consumers.

For the first time in the Lithuanian economic literature R.Stanikūnas analysed comprehensively the genesis and the development of the competition policy in the USA, the European Union, as well as the competition policy and its phases of development in Lithuania. The author suggested an effective competition supervision system in Lithuania in which the attention should be focused on these particular aspects: 1) the rules of competition supervision must be based on well-drafted laws, other legal acts and economically reasoned motivation, 2) the system of competition supervision must be transparent, 3) the system must allow the authority of competition supervision to concentrate its limited resources on clearly-defined priorities, 4) investigations must be carried out in accordance with the procedure established by laws in optimally reasonable time, 5) competition must be supported and competition culture must be advocated (p. 64–65).

From the theoretical and practical standpoint, the study of market power made by R.Stanikūnas is of significant importance. The author consistently enunciated not only the significance of defining a market of goods, but also described the possibilities of the practical application of the commodity market definition by taking the quantitative and qualitative parameters into account. It was established that geographical markets are determined by: 1) prices in other territories that are potential candidates to the same geographical market, 2) analysis of trade flows, 3) trade barriers (p. 77). The analysis of barriers to enter a market is made comprehensively in the study. The classification of barriers to enter a market that the author offers can be regarded as a scientific discovery. Three

most relevant barriers to enter the market are the following: 1) absolute advantages, 2) strategic advantages, 3) exceptional behaviour (p. 82). Noteworthy is the research, related to a recently wide-spread subject in the world – an abuse of the dominant position. The author analysed successfully the phenomenon of the exploitative behaviour and exceptional behaviour as an abuse of dominance.

Analyzing the problem of **anticompetitive** systems R. Stanikūnas paid a significant attention to the importance and the necessity of the research of the agreements between competitors (cartels). In author's view, it is very important to carry out the analysis of the exchange of commercial information between competitors and to evaluate objectively the agreements of their cooperation. In the monograph, an original view is taken to the essence of vertical (distribution) agreements, as well as to the evaluation of vertical agreements that can restrict competition. The author grouped correctly such vertical agreements that can restrict competition in five categories: 1) restricting geographical territories, 2) fixing sale or resale prices, 3) obliging to purchase more goods from one producer, 4) requiring an exclusive purchase and sale, 5) franchising agreements (p. 134).

Highly substantial account in the competition is given to concentration, i.e. merger of two or more previously independent undertakings. In his monograph R. Stanikūnas presented a thorough assessment of the horizontal, vertical and conglomerate concentrations and their impact on to the competition. The author states that such mergers can cause both coordinated and uncoordinated consequences. Uncoordinated consequences can

manifest themselves in the form of the closure of the market, tying of goods of different markets into one packet, whereas coordinated consequences can emerge in the cases of conglomerate concentration when the acquired market power allows the competitors to coordinate their behaviour, for example, by **anticompetitive agreements** (p. 168). R. Stanikūnas I In his monograph R. Stanikūnas was the first to research concentration procedure in Lithuania, to analyze the level of concentration in Lithuanian commercial banks sector, as well as to substantiate scientifically the further tendencies of concentration. It was established that the concentration level in Lithuanian commercial banks sector has grown during the last several years, because although implementing various aggressive integration strategies, smaller banks failed to increase their market shares to a sufficient extent and therefore did not reduce the market shares held by the major commercial banks. The author has also made a conclusion that the market of Lithuanian commercial banks is still dangerously concentrated and any further actions undertaken by banks as regards merger, joining or acquisition should be under strict scrutiny (p. 187–188).

A separate chapter of the monograph elaborates the phases of the state aid to the businesses of Lithuania and establishes that it has regard for particular industry sectors, at the same time outlining the main tendencies therein.

Substantial attention in the monograph is paid to the research of damage incurred by the anticompetitive behaviour in the market. The author approached precisely the methods which are invoked to evaluate the above mentioned damage: 1) unmotivated

raise of prices (**mark-up**), 2) before and after, 3) standard, 4) cost price, 5) forecast of prices, 6) theoretical modelling (imitation), 7) illegal switch of **mark-up**, 8) evaluation of lost profit (loss); analyzed the advantages and disadvantages of the above-listed methods. Analyzing the circumstances in which these.

The monograph of ass. prof. dr. Rimantas Stanikūnas is a significant contribution to the theory and practice of economics of Lithuania. This study is a generalization of the author's long-term and continuous practice in the field of competition – it is

the first monograph in this relevant subject, which undoubtedly will introduce and encourage discussions among academics and practitioners of economics, as well as those of law. The study contains a lot of original thoughts, ideas, suggestions and forecasts of the author. I am of the opinion that the given monograph shall be beneficial and useful to both the representatives of business and public sector of Lithuania as well as the professors or students of the universities. The Seimas and the Government should pay attention to the study in question as well.

*Prof. habil. dr. Jonas MACKEVIČIUS*