

# Anti-Competitive Business Practices: Bangladesh

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## Experience



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Bangladesh Tariff Commission  
May 2004

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## ■ Purposes of Competition

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- Preventing domination of markets
- Ensuring efficient use of resources
- Enhancing consumer welfare.
  
- Ensuring marginal cost pricing

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# ■ Promotion of Competition

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- policies that increases competition in the market, e.g. privatisation, trade liberalisation and deregulation etc.
- competition law that prevents market domination and controls anti-competitive business practices.

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# ■ Threats to Competition

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- Monopoly
- Oligopoly
- Market domination
- Various types of Anti-competitive practices

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# ■ Reserved Sectors in Bangladesh

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- Arms, ammunitions and other defense equipment and machinery
- Plantation and mechanized extraction of forest within the bounds of reserved forests
- Production of nuclear energy
- Security printing (currency notes) and minting.
  
- Mainly security reasons for reserving sectors

# Energy and Power Sector in Bangladesh

- The production and distribution of energy and power were carried out by the public sector in Bangladesh previously.
- Contracts have been signed with foreign firms for exploration of oil and natural gas on the mainland and offshore.
- Recently the power (electricity) sector has also been opened to private sector investment.

# Energy and Power Sector in Bangladesh

- At present, private sector is generating 1290 MW power out of country's total available production of 3800 MW power (Source: BPDB).
- More power generating units are being built at private initiative
- Distribution of power and gas is done by the government. Hence the government has monopoly influence over the supply of these products.

# Energy and Power Sector in Bangladesh

- Private and government users, households and commercial users, industrial users and non-industrial users are charged for these utility services at different rates according to the policy set by the government.
- Under the existing arrangement, private energy and power companies sell to the government their gas and electricity at rates higher than that charged by the government from the consumers.
- Both power generation and gas extraction require huge investment, not available domestically. Competition in these sectors may come from only foreign sources, the availability of which depends solely on the willingness of foreign entrepreneurs.

# Telecommunication Sector in Bangladesh

- The Bangladesh Telegraph and Telephone Board (BTTB) had monopoly over local telecommunication services until recently.
- At present, BTTB is providing more than 7,60,000 fixed phone connections out of its 9,50,000 installed capacity (Source: BTTB).
- UK-based WorldTel is willing to launch 300,000 fixed-line telephones in the capital by next January under a license it had obtained back in July 2001.

# Telecommunication Sector in Bangladesh

- Basundhara Communications Network Limited (BCNL) has been awarded licence to run fixed-line phone in the private sector very recently.
- Contracts have been signed with private companies allowing them to set up digital telephone services at the lowest administrative level and the adjoining rural areas.

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## ■ Mobile Cellular Phones

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- In 1993 license was given to Pacific Bangladesh Telecom Limited (PBTL) to establish and operate mobile cellular telecom and in 1995 PBTL introduced Advanced Mobile Phone System (AMPS) in the Capital City Dhaka.
- Four private cellular telephone companies have been given license to provide cell phone services.

# Mobile Cellular Phones in Bangladesh

Mobile Operators	Customer base	Market Share
Grameen Phone Limited	11,70,000	66%
Telecom Malaysia International Limited (AKTEL)	3,45,000	20%
Pacific Bangladesh Telecom Limited	2,05,000	12%
Sheba Telecom	45,000	3%
<b>Total</b>	<b>17,65,000</b>	<b>100%</b>

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# ■ Railway in Bangladesh

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- The state-owned Bangladesh Railway enjoys some monopoly in the railway sector.
- The railway effectively covers only about 32% of the total area of Bangladesh. Bangladesh Railway operates a track of 2706 kilometer providing employment for about 60,000 people, owns a fleet of 307 locomotives, 1240 coaches and a large number of freight wagons and provides passenger and cargo services through 502 stations.

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# ■ Railway in Bangladesh

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- Railway is primarily a service oriented public sector and there is a little scope for private sector penetration considering the huge investment required.
- The operation and management of several trains have been handed over to some private companies.
- Most of the trains still run under the government management.
- Scarcity of resources in the private sector will not permit any effort to break this monopoly. Foreign investment may alter this situation.

# Banking Structure in Bangladesh

Bank types	Number of banks	Number of branches	Total assets (billion Taka)	% of industry assets	Deposits (billion Taka)	% of deposits
Nationalized Commercial Bank (NCB)	4	3496	662.08	45.56	515.06	50.32
Development Finance Institution	5	1311	166.63	11.47	59.53	5.82
Private Commercial Bank (PCB)	30	1398	525.46	36.16	377.08	36.84
Foreign Commercial Bank (FCB)	10	31	98.89	6.81	71.86	7.02
<b>Total</b>	<b>49</b>	<b>6236</b>	<b>1453.06</b>	<b>100.0</b>	<b>1023.53</b>	<b>100.0</b>

Source: Annual Report 2002-2003, Bangladesh Bank

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## ■ Merger of Banks in Bangladesh

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- The Standard Chartered Bank acquired the Grindlays business in the Middle East and South Asia, including Bangladesh, from ANZ Banking Corporation for \$1.34 billions in cash in 2000.
- This was a case of merger and Standard Chartered Bank became the leading foreign bank and took the pioneering role in credit card business in Bangladesh.

# Market Dominance



Tobacco: British American Tobacco controls more than half of the market

Toiletries: Lever Brothers have two-thirds of market for detergents and more than half of the other products.

# Anti-competitive Practices of Foreign Organizations in Bangladesh

- Some foreign embassies in Dhaka insist that fees for visa to their countries should be deposited with particular foreign banks
- In the event of student visa, several embassies insist on bank guarantee from particular foreign banks

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# Anti-competitive Practices of Foreign Organizations

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- Foreign exporters refuse to accept Letters of Credit of local banks unless endorsed by a local branch of a foreign bank, which is done for a significant charge.

# Various types of Anti-Competitive Practices

1. Price fixing
2. Manipulation of supply
3. Exclusive dealing arrangements
4. Tying arrangements
5. Price discrimination
6. Unregulated retail price
7. Bid rigging
8. Bribery & gifts
9. Extortion
10. Market manipulation under disguised threat of physical violence

# Price Fixing and Manipulation of Supply

- Sometimes firms collaborate to fix prices or manipulate supply. These are done mainly for higher profits. Importers, local manufacturers, hoarders and suppliers of different products occasionally resort to these illegal practices.
- Collusion in marketing of imported products.

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# ■ Tying Arrangements

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- Seller agrees to sell an item to a buyer on the condition that the buyer also buys another item
  - Example: In medical services, doctors insist that their patients go to particular diagnostic laboratories or hospitals while offering their services.
  - Example: Educational institutions force students to purchase books from a particular stores or buy uniforms from particular tailoring shops.

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# ■ Price Discrimination

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- Seller charges different buyers different prices for identical goods
- Example: Dumping is one of the major examples of price discrimination when a company charges lower price of a product in the importing country than the price it charges in its own country. This may create an unfair competitive situation and adversely affect the local companies in the importing country.

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## ■ Bribery and Gifts

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- Bribery and Gifts are other anti-competitive concerns
  - The buyer: doesn't get the best deal
  - The competitor: doesn't get the sale they've earned
- Example: Bribing or giving gift to a tax officer to avoid payment of taxes, bribing a purchasing agent to get a sale that was not earned on the merit of the deal.

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## ■ Sole Dealership

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- Foreign firms appoint a single dealer for the entire country for selling their products
- Domestic firms appoint regional dealers

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## ■ Conclusion

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- Anti-competitive practices cannot be controlled due to the absence of regulatory laws
- Domestic competition policy and law are needed to control these abusive practices
- Not necessary to engage in multilateral competition law right away