

THE PROGRAMME

- 3.00pm Arrival of guests and registration
- 3.15pm Arrival of YBhg Tan Sri Dr. Ghauth Jasmon, Vice Chancellor, UM & Chairman of the Board of Trustees, Khazanah Nasional Chair
- 3.30pm Welcome speech by YBhg Tan Sri Dr. Ghauth Jasmon
- 3.45pm Introduction of speaker
Lecture entitled "Competition Policy, Market Power and Trade Performance : THE STATE OF COMPETITIVENESS IN MALAYSIA'S MANUFACTURING INDUSTRIES" by Professor Dr. Rajah Rasiah, First Holder of Khazanah Nasional Chair
- Q & A Session
- 5.00pm Refreshments

Competition Policy,
Market Power
and Trade Performance :
**THE STATE OF
COMPETITIVENESS
IN MALAYSIA'S
MANUFACTURING
INDUSTRIES**

27 FEBRUARY 2013

Lecture Hall 3, Faculty of Economics & Administration,
University of Malaya

By
Professor Dr. Rajah Rasiah
First Holder of Khazanah Nasional Chair

Competition Policy, Market Power and Trade Performance :

THE STATE OF COMPETITIVENESS IN MALAYSIA'S MANUFACTURING INDUSTRIES

Abstract:

Competition policy, hinged on competition and anti-monopoly legal instruments, have acted as key regulatory measures in several developed countries to ensure that undesirable business practices arising from market power do not undermine competitiveness of particular industries and eventually result in deadweight losses in consumer benefits. Recognizing its role in influencing economic competitiveness and to protect consumer welfare the Malaysian government enacted the Competition Act in 2010. Because of the presence of scale economies in some industries, competition policy instruments generally seek to stimulate actual or potential rivalry among firms in the marketplace for the patronage of customers, but strictly prohibit economic agents from using unfair trade practices that can reduce consumer welfare. In doing so, competition policy discourages the abuse of market power that creates destructive asymmetries against customers. The lecture takes the view that both policy and non-policy influences affect both concentration and competition, and hence, analyzes in addition, institutional influences on ownership, promotional instruments and grants and incentives to stimulate export, and technological upgrading. Competition policy thus, seeks to stimulate competition so as to positively impact on the business environment so that fair trade practices are not compromised in the entry of new business, exit of firms, prices, licensing, technology, among other factors. It is in this context that this public lecture analyzes changes in concentration levels and its impact on trade performance. We deploy a set of quantitative methodologies to estimate the Herfindahl-Hirschman (HH) index and the rivalry index (RI) as the proxies of concentration, while trade performance is estimated using the proxies of Grubel-Lloyd (GL) index, Scherer-Huh (SH) index and revealed comparative advantage (RCA) to examine changes in both sets of variables, and the relationship between concentration, and the trade performance variables over the census years of 2000 and 2005. The results show that most manufacturing industries face concentration levels less than 60% market (based on CR4). However, there are some industries that faced high concentration levels. For example, in 2005, the concentration level in tobacco was extremely high, while in textiles, leather products, transport equipment, and scientific and measuring equipment it was high. The trade indices of GL showed that the competitive industries rose from 706 in 2000 to 836 in 2011. While the improvement in the share appears good, a large share of manufacturing industries have remained not very competitive (79%). Meanwhile, the relationship between HH and RI and GL and SH showed a trend rise in the period 2000-2005 before falling over the period 2005-2010. The evidence also shows that the regulatory framework facing electronics firms has not offered the motivation for firms to upgrade significantly to higher value added activities. These results call for a more in-depth scrutiny of the Malaysian economy to unravel the economic instruments essential to stimulate competitiveness in the main manufacturing industries.



Professor Dr. Rajah Rasiah
First Holder of Khazanah
Nasional Chair

Rajah Rasiah holds the Khazanah Nasional Chair of Regulatory Studies and is Professor of Technology and Innovation Policy at University of Malaya. He is also a member of Malaysia's National Science Research Council. His recent books include *The New Political Economy of Southeast Asia, 2010* (Cheltenham: Edward Elgar), *Innovation and Learning Experiences in Rapidly Developing East Asia, 2011* (London: Routledge, 2011), *Malaysian Economy: Unfolding Growth and Social Change, 2011* (Kuala Lumpur: Oxford University Press), *Innovation and Industrialization in Asia, 2012* (London: Routledge) and *Evidence-based Development Economics: Essays in Honor of Sanjaya Lall, 2012* (Kuala Lumpur: University of Malaya Press).

The Vice Chancellor, University of Malaya
cordially invites

to the Public Lecture entitled
"Competition Policy, Market Power and Trade Performance :
THE STATE OF COMPETITIVENESS IN MALAYSIA'S
MANUFACTURING INDUSTRIES"

By

Professor Dr. Rajah Rasiah
First Holder of Khazanah Nasional Chair
On

27 February (Wednesday) 2013, 3.00pm
Lecture Hall 3, Faculty of Economics & Administration,
University of Malaya, 50603 Kuala Lumpur

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Free Admission
RSVP before 22 February 2013

Reply Slip

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THE STATE OF COMPETITIVENESS IN MALAYSIA'S MANUFACTURING INDUSTRIES

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(Please reply before 22 February 2013)

Thank you for the invitation to the Public Lecture entitled "Competition Policy, Market Power and Trade Performance : THE STATE OF COMPETITIVENESS IN MALAYSIA'S MANUFACTURING INDUSTRIES" by Professor Dr. Rajah Rasiah on Wednesday, 27 February 2013, 3.00 pm at Lecture Hall 3, Faculty of Economics & Administration, University of Malaya, 50603 Kuala Lumpur. I wish to confirm that:-

I will be able to attend the lecture with (number) of my friends/colleagues (Kindly e-mail their names)

I am unable to attend the lecture

Name :
Organisation :
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