

Opening Statement

VERTICAL RESTRAINS: KEY MESSAGES

Dr. Muhammad Syarkawi Rauf
Chairman of KPPU

*Good morning,
Distinguished delegates, Ladies and Gentlemen,*

It gives me great pleasure to extend to you all a very warm welcome on behalf of the Commission for the Supervision of Business Competition or KPPU, and to say how grateful we are to Taiwan Fair Trade Commission or TFTC who have chosen us to convene this Antitrust Regional Seminar on the Competition Analysis of Vertical Restraints, here in Jakarta.

It is a precious opportunity to refresh contacts and discuss problems of mutual interest with delegates from competition agencies of the region. It is gratifying to note that the agenda of the Seminar covers one of the most frequent competition infringements and, one of the hardest.

Esteem speakers and delegates;

We might felt that vertical restraints speak about restrictions imposes by the upstream to the downstream in form of many contracts, for example, between manufacturers and retailers, or suppliers and customers. The essential difference between vertical and horizontal agreements underlies most of the argument in favor of vertical agreements: vertical agreements serve to coordinate the actions of both type of firm and they may well be welfare improving in view of the complementary nature of the relationship.

The exercise may unique and controversial, in the sense of trade-off between its principal role to enhance efficiency, and to increase market power. Some experts may say it leads to efficiency, whereas others believe that their primary purpose is to increase market power and should therefore be considered harmful. Moreover, conflicting attitudes are mirrored in changing and inconsistent antitrust policies towards vertical restraints. Some practices are designated as per se illegal; others are subject to a rule-of-reason approach.

Indonesia's competition law itself shares similar debates, by which some articles are rule of reason while others are per se. The application also differs to price related and non-price related restraints. My staff will explain further on how KPPU deals with vertical restraints at the following session, so I will not talk

more on our substances. However, what we can share is, we need to prudently review the anticompetitive motives by a vertical restrains. Whether they seek to improve internal efficiency or welfare, or whether they want to (rationally) foreclose market access to rival suppliers, or soften the competition. Hence, the effect analysis plays important role in many vertical restrain cases.

Distinguished participants;

Vertical restrains case in Southeast Asia is considered limited, compared to the application of cartel related cases. Indonesia recorded some cases in vertical restrains, but most of it involved tying agreement, exclusive dealings, and resale price maintenance. In other ASEAN countries, the first two behaviors have becoming trends in their enforcement. It means that, the necessity of having information on how others dealt with vertical restrains will bring sufficient improvement to the region.

We are so excited to hear that for the next two days, we will learn to look through the eyes of others, to find out and experience what the region view on the vertical restrains. It is also a great season for us to understand our differences, and offer everyone with opportunity to overcome their obstacles.

Esteemed speakers and delegates,

It is also a great honor for us to have this event in our capital city. Even though Jakarta has been named the city with the worst traffic congestion in the world, where a study told that, drivers in Jakarta made 33,240 stop-starts every year, we are very optimist with how we solve this problem. During your journey to this hotel, you might saw that we are building infrastructures for our rapid mass-transportation. We are also applying new regulations to limit number of vehicles on the road.

I believe many of you have made a huge effort to join us today. So, on behalf of us all, we are deeply appreciative and offer you our utmost grateful welcome. Please make time for enjoying my capital city, and do not fear to approach us should you have certain inquiries. We will more than happy to assist you.

To conclude, I wish you every success in your deliberations and a very pleasant stay in Jakarta.

Thank you.
