



# Ethiopia's Competition Vs Consumer Protection Law

Antonio G\*

Department of Comparative law, University of Tennessee College of Law, United States

## Commentary

The movement is towards widening international flows of trade, finance and information in a single integrated global market. The underlying rationale for globalization is that free flows of trade, finance and information will produce best outcomes for growth and human welfare. As globalization takes place and countries rely more on market forces, the question of ensuring competition and keeping markets functioning efficiently assumes increasing importance. The expression "competition policy" encompasses a wide range of governmental policies, affecting both competition and restrictive business practices. The objective of competition policy is to promote efficiency and maximize welfare. An effective competition policy promotes the creation of a business environment, which improves static and dynamic efficiencies and leads to efficient resource allocation, and in which the abuse of market power is prevented mainly through competition. In addition, competition law prevents artificial entry barriers and facilitates market access and complements other competition promoting activities. Economic reforms and liberalization (particularly trade liberalization) alone are not sufficient to promote competition and there is a need for a separate competition policy. Generally, the objective of competition laws is maintaining and enhancing market competition by addressing "restrictive business practices and regulate market structures that significantly lessen competition"[1].

The expression "competition" refers to the process of rivalry among firms and market structures conducive to such rivalry. The expression "competition policy" ought to aim at preserving and promoting competition and also at influencing the formulation and/or implementation of governmental policies or measures (trade policies) affecting competition and at enforcing competition law against Restrictive Business and Trade Practices. In economic theory, the term market competition, and accordingly, the study of competition policies and laws only make sense in a free market economy. This is a type of economy in which the activities of production and distribution are carried out largely based on independent decisions of the majority of economic actors in a decentralized manner. In the free market context, competition signifies a state of affairs wherein sellers compete with each other to attract buyers with a view to maximizing their sales, profits and market share [2].

The pure free market is an economic model in which markets answer all questions related to basic tool for the existence of free market economy there by promoting effective competition regime [3]. Examples of countries with the democratic political system and developed and effective competition regime include; USA, UK, Australia, South Africa, Kenya, Sweden, etc. Following the change of the government in Ethiopia, in 1991, on the demise of socialist to allocation. Such a theoretical model leaves no space for the role of the government in making decisions on the three allocation issues. The role of the government is rather limited to the enforcement of property rights and contracts [4]. From the historical inception of Adam Smith's modern economic theory, free competition is a fundamental principle in any market economy and has been seen as one of the foundations for democratic societies. The competition regimes of countries of the world reveal that there is a linkage between the natures of political system and the types of market they follow. Free market is highly experienced in countries whose political system is democratic. Democratic political system is the

oriented economic policy, a marked departure from the planned economic policy to move to a market oriented economic policy was witnessed. Ethiopia oriented a market-led strategy and began to apply the privatization policy into practice. The government of Ethiopia also embarked on a continuous program of economic reform including trade liberalization, privatization and deregulation. In this regard, the reform program had achieved the success of stabilizing the economy - aiding the transition to a free market system. Even if Ethiopia claims establishing free market economy, the practice reveals another way. This is due to the fact that certain sectors which are crucial for the operation of economy are controlled by the government and state owned enterprises are highly involving in the market in order to secure profit and share the market. Owing to such inherent problems of Ethiopia's competition policy, there is a need to reform the country's competition policy.

Ethiopia today has set out on a long journey towards establishing a full-fledged economy [5].

On the one hand it aspires to establish a competitive market economy, while on the other it pursues a state-led economic management system to develop productive forces during the interim.

However, successfully marrying these two approaches in practice is quite challenging. Private actors complain of being marginalized; the government is often uncomfortable with certain practices; which lead to rising prices and acute shortages in some markets. The country has adopted three legal regimes within a decade.

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## Conflict of Interest

None

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\*Corresponding author: Antonio Gidi, Department of Comparative law, University of Tennessee College of Law, United States. Tel: 3154439987; E-mail: agidi@syr.edu

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