

Unclassified

English - Or. English

6 November 2024

**DIRECTORATE FOR FINANCIAL AND ENTERPRISE AFFAIRS  
COMPETITION COMMITTEE**

**The Interaction between Competition and Democracy – Note by Ecuador**

6 December

This document reproduces a written contribution from Ecuador submitted for Item 8 of the 144<sup>th</sup> OECD Competition Committee meeting on 5-6 December 2024.

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## *Ecuador*

### Competition and Democracy: A Commitment to Collective Well-Being

#### 1. Presentation

1. From the Superintendency of Economic Competition of Ecuador, it is an honor to contribute to the Roundtable on Competition and Democracy organized by Competition Committee of the Organization for Economic Cooperation and Development (OECD). On this occasion, we will address the fundamental role that Competition policy plays in strengthening democracy, as well as the interrelation between both in the Ecuadorian context. We will analyze how Competition policy and democracy should be related in driving markets and discuss the necessary commitments to balance economic and political power, with a view to strengthening transparency and equity in our institutions.

#### 2. The Interconnection Between Democracy and Competition Policy

2. In Ecuador, democracy and competition policy are intrinsically intertwined. In this context, it is important to understand the meaning of the word “democracy,” which comes from the Greek word “demos,” meaning “the people,” and “kratos,” meaning “power,” that is, democracy means “the power of the people.” In the realm of ideas, it is imperative to mention that Article 52 of the Constitution of the Republic of Ecuador guarantees citizens the right to have goods and services of optimal quality and to choose them freely; Article 334 of the Fundamental Charter names the State responsible for promoting equitable access to production factors, avoiding the concentration or monopolization of productive factors and resources, and the redistribution and elimination of privileges and inequalities in access to them; and Article 336 of the Constitution imposes on the State the duty to promote and ensure fair trade as a means of accessing quality goods and services, promoting the reduction of intermediation distortions and the promotion of sustainability, thus ensuring transparency and efficiency in markets, encouraging competition on equal terms and opportunities.

3. The effective implementation of a competition policy first requires a democratic political system. The principles that underpin both realms—participation, Rule of Law, equality of opportunities—are essential to ensure that competition rules are applied fairly and effectively. Without deep respect for these principles, any attempt to regulate the market and protect competition is destined to fail.

4. In this context, it is essential to acknowledge that competition policy goes beyond economic objectives and serves as a cornerstone of democracy. A competitive market that embodies democratic principles can only thrive in an environment where the rights and opportunities of all economic stakeholders are respected.

#### 3. Transformations in Competition Policy Toward Greater Democracy

5. Competition policies in Ecuador have evolved in response to changes in economic models implemented by democratic regimes. The Organic Law on Market Power Regulation and Control (LORCPM), although relatively recent, has been a key tool in

promoting equal opportunities in the market. One of the notable initiatives was the issuance in 2014 of regulations on Good Commercial Practices for the supermarket sector, which facilitated the inclusion of small and medium producers in the supply chains of large supermarkets.

6. This regulation not only promoted fairer commerce but also ensured that 15% of products in supermarkets were sourced from popular and solidarity economy providers. This policy benefitted smaller suppliers, while also increasing the diversity of products available to consumers, in an act of market democratization.

7. According to a report from the Superintendency, between January 2019 and June 2023, large supermarket chains made purchases exceeding 800 million dollars from suppliers in the popular economy and micro, small, and medium enterprises (MSMEs). This shows that a well-designed competition policy can have a significant impact on the national economy and the inclusion of previously marginalized actors.

#### 4. Commitments Toward a More Democratic Competition Policy

8. To strengthen the relationship between democracy and competition, it is essential to establish clear commitments. These may include:

1. **Balanced deregulation:** protect small business owners while avoiding the concentration of power in the hands of large corporations.
2. **State aid and subsidies:** these should aim to promote access to markets rather than simply being financial transfers.
3. **Fiscal responsibility of digital platforms:** companies must operate as legal entities in each country and contribute taxes.
4. **Educational reforms:** educational systems must train informed and critical citizens who understand how the market works and its impact on democracy.
5. **Comprehensive investigations:** regulatory agencies must analyse value chains to identify obstacles to Competition and corruption mechanisms.
6. **Accountability:** competition agencies must report annually on the progress and results of the policies implemented.
7. **Legislative reforms:** evaluate and, if necessary, modify current legislation to adapt it to changing market realities, such as the Fintech scenario.
8. **International cooperation:** promote meetings between competition agencies at a global level to exchange good practices and strengthen democratic objectives in market regulation.

#### 5. Indirect Effects: Inequality and Corruption

9. In addition to the direct effects of competition on democracy, there is an indirect route in which competition policy can influence inequality and corruption. A critical area is public procurement, which in Ecuador reached a purchase volume of USD 25.04 billion between 2020 and 2023. Competition policy must intervene in these processes to avoid collusive practices that harm the State, other competitors and therefore citizens.

10. The Superintendency has identified various abuses of market power in this area, such as false offers, Price agreements and market sharing. These practices not only generate

high costs for the State, but also erode confidence in democratic institutions, seriously affecting the quality of goods and services offered to citizens.

## 6. Conclusion

11. Democracy, as has been indicated, is a structure that needs law and normative or jurisprudential blocks that make viable and allow it to achieve its objectives and purposes, economic freedom must not only be regulated but also controlled, in that sense it is not a limitation to democracy, if we examine it from the point of view of consumers and users we will find that this control and regulation, which in principle seem restrictive to freedom, make great sense when knowing that an efficient market will allow them to freely choose the use and consumption of goods and services at prices balanced by supply and demand, in the same way, the smallest offerers will not have restrictions on access or exit to the markets, and may prevail in the markets due to other considerations such as the quality of the products.

12. The effective implementation of competition policies, as well as control, correction and sanction, must be seen as means to a greater end: collective well-being, equal opportunities and transparency in public management. Only through coordinated efforts and a comprehensive approach will we be able to move towards a future both competition and democracy flourish for the benefit of all.