Reform of British Competition Policy:

Is European Integration the Only Major Factor?

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Abstract

In 1998, Britain carried out the reform of competition policy legislation, which was the largest in the past twenty-five years. This paper examines the policy-making process leading to that reform and discusses the factors driving the movement.

Since the original nationally-specific system was transformed into the more Europe-based system by the reform, it may be natural to look at the progress of European integration and other external changes as the main factors for that policy change. However, one should not ignore the effect of the change in the internal factors, that is, the endogenous development of competition policy officials. The main argument of the proposed paper is that the progress of European integration is important for explaining the domestic policy change in member states, but that we need to take account of the change in the domestic policy-making process as well.

The paper is composed of five sections. After the introduction, it closely examines the policy-making process leading to the recent major reform of British competition policy, that is, the establishment of the 1998 Competition Act. Two questions are then posed: why the reform was encouraged and finally achieved, and why that process was nevertheless very slow. The following sections address those questions by examining several external and internal changes noted above. The paper ends with emphasizing that it is important to take account of the internal factor, i.e. the development of domestic competition officials, for better assessment of the recent movement toward international harmonization of national competition policies.

1. Introduction

In autumn 1998, the Labour government finally brought to an end the long-standing process of the reform of British competition policy by the passage of the Competition Act. The new Act is a landmark in the history of British competition policy in the sense that it broadly introduces the regulatory system largely based on the European Community (EC) Law. This paper examines the policy-making process leading to this reform, and discusses why the reform was accomplished.

Since the original nationally-specific system was transformed into the more Europe-based system by the reform, it may be natural to refer to the effect of European integration as a main factor for that policy change. However, it should not overshadow the effect of other crucial factors. In particular, one should not ignore the effect of the change in the power structure between relevant domestic actors, such as business representatives, political parties and public officials both in charge of competition policy officials and industrial policy officials. While it is allowed to look at no more than one policy sector in one country, this paper ultimately argues that the progress of European integration is important for explaining the domestic policy change in member states, but that we need to take account of the change in the domestic policy-making process as well.

The following part is composed of four sections. The next section observes the recent development of British competition policy and the policy-making discussion relevant to it. Then the third section looks at the changes in the economic and political conditions under European integration as the exogenous factors for the reform of British competition policy. Then the paper investigates the changes in the power relationship in

the "competition policy network" as the endogenous factors for the reform. This is followed by the concluding section, which summarizes the previous findings and presents some concluding remarks at the end.

2. Observing the recent development of British competition policy: the long-standing process toward international harmonization

It was in June 1986 that the Department of Trade and Industry (DTI) announced the establishment of the internal team to review its control over restrictive trade practices and mergers, which was in retrospect considered as the opening of the decade-long discussion. In 1988, the DTI published the Green Paper entitled "Review of Restrictive Trade Practices Policy"[1], admitting the necessity for the major reform of the system for the first time since the existing system was established in 1956. The Green Paper claimed that the existing system 'is inflexible and slow, too often concerned with cases which are obviously harmless and not directed sufficiently at anti-competitive agreements', and '[t]he scope for avoidance and evasion considerably weakens any deterrent effect the system has and enforcement powers are inadequate'[2]. The alignment of British legislation along the lines of EC law was also suggested for the sake of consistency and simplicity[3].

The Green Paper was followed by the White Paper in 1989[4], which proposed a fundamental reform of the restrictive trade practices control largely modelled on the

[1] Cm 331 (1988) Review of Restrictive Trade Practices Policy: a consultative document, Green Paper

[2] Ibid., para 2.8

[3] Ibid., para 1.5

European system. Reflecting the consideration of the 1988 Green Paper, the 1989 Paper called for a large-scale reform, which deserved such an observation that '[a]lmost the only element of continuity will be the institutions themselves'[5].

Although the government would normally form White Paper recommendations into a new bill and present it to the Parliament, it failed to do so on this issue 'for reasons which have never been fully explained, though many have speculated'[6]. However, the 1989 Paper instigated the discussion as to whether the control of monopolies based on the European system should also be introduced to Britain. Generally speaking, competition policy officials and consumer groups supported the introduction of EU-based monopolies control in which market dominance was prohibited in principle, whilst big businesses opposed to that idea. A clear consensus was not found among academics, presumably because the European model based on Article 86 of the Treaty of Rome was not viewed as successful in itself[7].

Under those circumstances, the government published the Green Paper entitled "Abuse of Market Power"[8] in 1992, giving three options for the reform: (1) to strengthen the existing legislation in Britain, (2) to replace the British system with the European system, and (3) to introduce the European system while keeping the monopoly provisions of the 1973 Act. As *Financial Times* observed, '[i]nitial reading of the green paper suggested that the government favoured the third option' and '[t]his in itself was a

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[4] Cm 727 (1989) *Opening Markets: new policy on restrictive trade practices*

[5] Wilks, S.R.M. (1996) 'The Prolonged Reform of United Kingdom Competition Policy', p.170

[6] Robertson, A. (1996) 'The Reform of UK Competition Law - Again?', p.211

[7] For example, see Whish, R. and Sufrin, B. (1993) *Competition Law* (3rd ed.), p.737

[8] Cm 2100 (1992) *Abuse of Market Power: a consultative document on possible legislative options*

big shift' from the traditional attitude of the Conservative government, which 'reflects growing pressure for comprehensive reform'[9].

After some discussions, nonetheless, the government decided to take the first option. It also proposed several minor reforms, seemingly to compromise with those who preferred the other options for the reform, but the opportunity for the reform was generally seen as "wasted"[10] at that time.

It was in 1996 that the Conservative government somewhat relaxed its firmly conservative attitude. The DTI published the Green Paper suggesting a modest reform in March of that year. It finally confirmed the recommendation of the 1989 White Paper to introduce the EU-based approach for the control over restrictive trade practices, saying that '[t]he current system of control... is widely recognised to be inefficient and ineffective'[11]. Furthermore, it raised the limit of the amount of civil penalties, which had originally planned in 1989 Paper. With regard to the control over monopolies, however, the government still maintained its choice to avoid introducing the EC-based prohibition approach. It also denied a radical shake-up of the enforcement bodies.

The failure to introduce the prohibition approach was severely criticised, and the government eventually suggested that it would "take account of the possibility" of introducing the European model to the control over monopolies[12], when it prepared the draft bill for the reform in August 1996. Once again, nevertheless, the government failed

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[9] *Financial Times*, 16 March 1993

[10] See Pratt, J.H. (1994) 'Changes in UK Competition Law: A Wasted Opportunity?'

[11] DTI (1996) *Consultation Document: Tackling Cartels and the Abuse of Market Power: implementing the government's policy for competition law reform*, para 1.16

[12] DTI (1996) *Tackling Cartels and the Abuse of Market Power: A draft Bill*

to introduce it to the Parliament without giving any clear reason. The criticism to this failure seems to have given some additional, if not very significant, support for the Opposition in the election campaign in spring 1997.

Then the task was passed to the Labour government. The Competition Bill drafted by the Blair government was remarkable in the sense that it included two significant compromises of that party: the reinforcement of merger control and the reduction in ministerial interruption. Following their traditional arguments, moreover, it also introduced several new arrangements such as the first-time introduction of civil penalties, the reinforcement of investigatory powers including forcible entry/ search powers, and the extension of third party rights to challenge companies and seek damages. The Monopolies and Mergers Commission (MMC) was restructured and renamed the Competition Commission. It is true that the government made several concessions during the parliamentary debate, inducing the opposition industry-secretary to comment that it was 'extraordinary', 'fundamental changes'[13]. It may be true that they 'significantly reduce the burden on business' as commented by the DTI[14], but the concessions during the parliamentary discussion were limited to minor points on balance, mainly the treatment of particular sectors such as pharmaceuticals, and there was no major change in the basic structure.

Whereas the passage of the Bill was somewhat delayed due to the resistance of the Conservative Party, it finally obtained Royal Assent in November 1998, more than eleven years after the Conservative Party made its first promise of the reform in its

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[13] The comment of John Redwood, quoted from *Financial Times*, 17 June 1998

[14] The comment of DTI, quoted from ibid.

election manifesto in 1987. To understand this long-standing process, it is necessary to understand why the reform of British competition policy was promoted and finally achieved, and, despite that, why the process was so slow. The following part addresses those questions, focusing on either external or internal factors.

3. Considering the effect of external factors: the changes in international economic and political circumstances

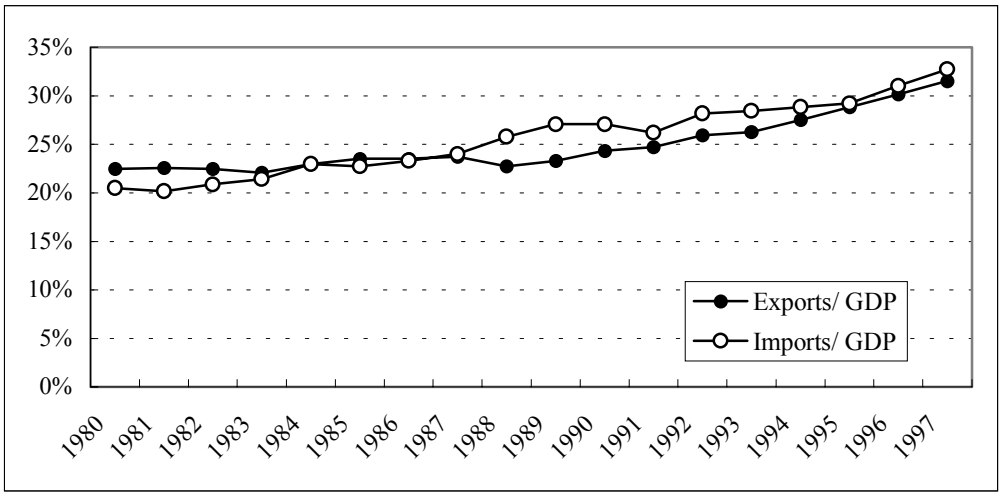
The growth of international economic interdependence

Since the 1998 reform was basically regarded as a process of harmonization of British competition policy toward the European model, it is natural to consider the effect of external factors, i.e. those factors which affect British political economy from the outside of the national borders. When discussing the possibility of international harmonization of competition policy, many scholars appreciate the changes in international economic and political circumstances as the factors promoting international harmonization – in particular, the growth of cross-border trade and direct investment and the development of international organization. However, this section shows that their impact is often ambiguous, i.e. both positive and negative, so that we can explain why pro-reformists could not immediately be predominant in the policy-making discussion.

The growth of cross-border trade and direct investment has recently been remarkable as the result of the technological development in transport and communication and of the progress of trade and capital liberalisation especially within the EU area. They are affected by the general economic condition from time to time, but there is a clear upper

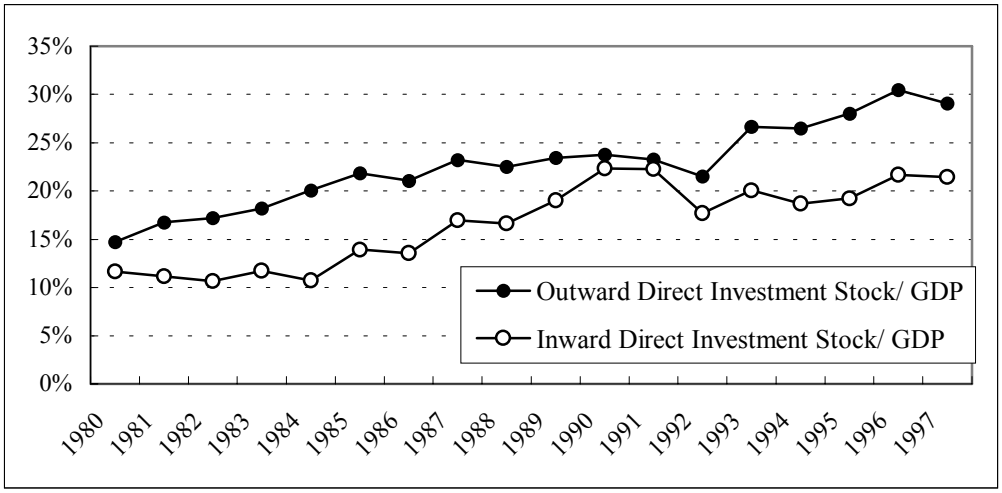
trend with regard to both cross-border trade and direct investment (Figure 1, 2). With the progress of European integration, moreover, the share of other member states has generally become larger as time goes on (Table 1).

Figure 1 Share of Exports and Imports in Gross Domestic Product (1980-1997)



Note: Calculated from the data in constant prices (base year 1990)
Source: Organization for Economic Co-operation and Development (OECD)

Figure 2 Ratio of Outward and Inward Direct Investment to GDP



Note: Calculated from the data in current prices
Source: International Monetary Fund (IMF)

Table 1 Product and capital flows from/ to Britain

(Millions of Dollars)

Year	Exports			Imports		
(average)	World	EU	EU/World	World	EU	EU/World
1973-77	43,674	14,892	34.1%	53,254	19,007	35.7%
1978-82	92,696	38,762	41.8%	98,672	42,173	42.7%
1983-87	105,020	49,023	46.7%	118,885	57,991	48.8%
1988-93	171,928	92,105	53.6%	208,651	109,049	52.3%
1994-97	232,107	118,567	51.1%	255,913	123,981	48.4%

(Millions of Pounds)

Year	Outward Direct Investment			Inward Direct Investment		
(average)	World	EU	EU/World	World	EU	EU/World
1987-88	91,880	21,809	23.7%	65,040	19,965	30.7%
1989-90	119,944	29,719	24.8%	99,657	31,195	31.3%
1991-92	135,353	37,466	27.7%	112,891	38,776	34.3%
1993-94	171,087	57,867	33.8%	121,172	40,133	33.1%
1995-96	202,902	81,646	40.2%	134,370	44,932	33.4%

Source: calculated from the data of IMF and OECD

The growth in international economic interdependence seems to have a significant impact on the move toward international harmonisation. When the adjustment of different regulatory criteria across countries is considered as troublesome and costly, companies may well prefer international harmonisation so as to avoid unnecessary transaction costs. Also, cross-border mergers may affect the national pattern of preferences of business interests for market competition, because they may cause some fusion of preferences between domestic managers and foreign managers. It may also be argued that companies would be less motivated to protect the traditional national legal

system allowing anti-competitive practices, because they can no longer rely on such practices under increasing pressure for international competition. They need to increase their international competitiveness without any help of anti-competitive practices.

In fact, when the government asked businesses if they would agree to the introduction of the EU-modelled prohibition approach for the control over industrial concentration into the British system in 1996, it received 200 opinions from businesses, which were 'almost universally in favour' according to the DTI[15].

On the other hand, however, the growth of international economic interdependence may well make some companies more protective. They might more likely be engaged in restrictive trade practices, so as to alleviate the effect of tough market competition with foreign competitors. To enhance their international competitiveness, furthermore, companies would be more interested in mergers and acquisitions, and thus prefer more lenient regulation for industrial concentration. If the existing regulation is expected to be more stringent in consequence of international policy harmonization, it is not clear whether companies give total support for such policy change.

To a large extent, this explains why the Confederation of British Industry (CBI) and some other industry representatives stuck to the existing system in early years of the policy discussion. They often expressed deep opposition to the reinforcement of competition policy, saying that too tough regulation would reduce their international competitiveness, and their pressure often looked very effective. In 1993, for example, when the DTI decided to retain the traditional system despite general expectation of the reform, *Financial Times* reported that '[t]he climbdown follows intensive lobbying by

the CBI and other industry representatives, which had expressed deep opposition to the prospect of fines for practices such as deliberately pricing goods too cheaply and refusing to supply certain outlets'[16].

In particular for the CBI, we should remember that most of those who worked for competition policy within the CBI are in-house lawyers of big companies. This may explain why the CBI's representative opinion was more sceptical about the regulation over industrial concentration than any other issue. It is true that the CBI finally moved away from its traditional conservative position[17], but it was long after the start of the policy discussion.

The effect of the development of the Common Competition Policy

Besides the changes in international economic circumstances, we need to consider the impact of the changes in international political circumstances, that is, the development of the Common Competition Policy by DG IV of the European Commission. Competition policy is one of the policy areas that the European Commission has developed most so far. This is mainly because the policy is considered as useful in removing non-tariff barriers between national markets of the member states. The accumulation of experience of the staff at the European Commission with 'the

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[15] *Financial Times*, 9 November 1996

[16] See, for example, *Financial Times*, 15 April 1993

[17] The author had an interview with a staff member of the CBI in October 1997. At that time, she commented that 'the definitely majority view is that we do want to move more towards Europe'.

iconoclasm and missionary zeal'[18] and the strong political leadership of the Commissioners in charge of competition policy[19] also seems to have had a positive impact on the development of competition policy at the European level. While opinions vary as to their performance, we should note that the European Commission even went so far as to regard its own work as a leading model of international unification of competition policy, saying that '[t]he Community was the first to practice a policy which tried to deal with the impact that distortions of competition had on trade'[20]. According to Cini and McGowan, the Common Competition Policy 'has withstood the test of time and has matured into a cohesive and an increasingly comprehensive competition regime', thus becomes 'one of the Commission's flagship policies'[21]. Such development may well have made the European system more credible and more likely to be treated as standard, at least among the member states of the European Union. Under those circumstances, it is not surprising that the incongruities between the British model and the European model were regarded as detrimental, and this would give strong impetus to the reform of the British competition policy.

Yet it would be misleading to argue that the Common Competition Policy has now marginalised national competition policy. There are several reasons for this. First, the European Commission cannot intervene in the cases if they are seen as exclusively

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[18] Cini, M. (1997) 'Administrative Culture in the European Commission: the cases of competition and environment', p.81

[19] See Wilks, S.R.M. and McGowan, L. (1996) 'Competition Policy in the European Union: creating a federal agency?', pp.246-7

[20] European Commission (1993) *Growth, Competitiveness, and Employment: Bulletin Supplement*, p.113

[21] Cini, M. and McGowan, L. (1998) *Competition Policy in the European Union*, p.223

national matters due to the subsidiarity principle[22]. Second, since the Common Competition Policy had been nurtured as a tool of European integration, it paradoxically decreased momentum as European integration was advanced[23]. Furthermore, the increase in the cases under the jurisdictional category of the Common Competition Policy as the result of the development of European integration often reveals the DGIV's lack of human and financial resources. Consequently, the "decentralisation" of European policy to national authorities becomes one of the most prioritised issues in recent years. While such a move may promote national authorities to harmonize their policy with the European system to play the role of the national offices of the Common Competition Policy, it may also reduce the initiative of DGIV vis-à-vis national authorities.

What is more, the development of the "European policy" can possibly increase the anxiety of Euro-sceptics. The attitude of the Conservative Party toward the reform of competition policy often seems to have been affected by such nationalistic sentiments. This problem may be more likely to occur in such policies as competition policy, where it is often difficult to see the effect of policy settings on economic results. Obviously, it is very difficult to form a consensus when we are not able to make clear which policy is more effective than others. In that case, it is not surprising that nationalistic sentiments become superior.

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[22] Following Article 3b of the Treaty on European Union, the Common Competition Policy should be applied 'only if and in so far as the objectives of the proposed action cannot be sufficiently achieved by the Member States and can therefore, by reason of the scale or effects of the proposed action, be better achieved by the Community'.

[23] See Wilks and McGowan, op.cit., pp.248

To summarise, it may be true that such exogenous changes as the growth of cross-border transaction and the development of the Common Competition Policy make certain positive contribution to the promotion of international harmonization of national competition policy, but it is too simplistic to look only at the positive side. As shown above, those factors may carry negative effects as well.

Then we turn to the changes in the internal policy-making process. One of the most remarkable endogenous changes is the development of the competition policy agencies. In the 1990s, they look powerful not only for policy implementation but also for policy-making discussion. The next section discusses this development.

4. Considering the effect of internal factors: the development of the British competition policy officials

"The silent revolution" and the growing focus on competition policy

One of the most important factors to affect the policy-making structure in Britain in the 1990s is the development of the main competition policy agency, the Office of Fair Trading (OFT). It is true that it had rather been quiet during the Thatcher years as the political climate was in general against such a body of state regulation. From the 1990s, however, the competition policy officials look more active and influential in the policy-making process of competition policy. While this partly results from the rise in the general concern about competition policy in consequence of the changes in international economic and political circumstances, we should not neglect such factors as the extension of the OFT's administrative scope and the rise in the weight of competition

policy (vis-à-vis its another work, i.e. consumer protection regulation) in the OFT's work.

Let us begin with the brief history of British competition policy. While there had been some pioneering efforts even before, it may be said that the basic framework of British competition policy was consolidated in the 1950s and the 1960s, with a number of significant legislation, notably the Restrictive Trade Practices Act 1956 and the Monopolies and Mergers Act 1965. At that time, the competition policy officials were generally expected to work for the formal application of fixed rules, and the assessment of grand policy design and flexible implementation was in the hands of industrial policy/ trade policy ministries.

The Fair Trading Act 1973 created the new competition policy agencies, the OFT and the MMC. It also provided competition policy officials with some additional powers, but it does not seem to have changed the basic framework, at least at the beginning. Indeed, neither the OFT nor the MMC was provided with any power to draft bills. Several minor reforms were made subsequently, but the basic legal framework was kept unchanged until the 1998 reform.

Despite such a static legal situation, the competition policy officials seem to have extended their administrative power since the 1970s. This had been recognised already as early as the early 1980s, when O'Brien attached the label of "the silent revolution" to describe this[24]. In his study, he observed that the 'predominantly legalistic approach has been supplanted by the development of an administrative and discretionary procedure'[25]

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[24] See O'Brien, D.P. (1982) 'Competition policy in Britain: the silent revolution'

[25] Ibid., p.218

in the field of the restrictive trade practices control since the mid-1970s. One of the most prominent aspects of this was the increase in the “Section 21(2) [of the 1976 Act] cases”, where the Director General of Fair Trading (DGFT) made substantial judgement, in lieu of the Court.

Table 2 Trends in the registered and “Section 21(2)” agreements (annual average in each period: 1969.7-1998.12)

Period	Registered agreements (a)	"Section 21(2)" agreements (b)	(b)/(a)
1969. 7-1972. 6	71.7	22.3	0.312
1972. 7-1976.12	61.1	16.2	0.265
1977. 1-1981.12	295.2	40.6	0.138
1982. 1-1986.12	265.4	26.2	0.099
1987. 1-1991.12	793.2	567.8	0.716
1992. 1-1996.12	631.4	1,105.8	1.751
1997. 1-1998.12	703.0	1,145.5	1.629

Source: calculated from the data of OFT

From the data indicated in Table 2, it is found that O’Brien’s argument of the “silent revolution” was a bit early given the number of “Section 21(2)” agreements was reduced after his observation (which was made at the beginning of the 1980s), but it is also found that he was right to predict the "revolution", given the surge of the number from the late 1980s.

“The silent revolution” is also observed in the field of the control over mergers and monopolies. While it did not change the basic framework, the Competition Act 1980 enabled the DGFT to investigate individual companies which he/ she considers to be engaging in an anticompetitive practices. In other words, the DGFT came to hold the discretionary power to decide whether certain practices were anti-competitive or not.

This procedural change even led one eminent lawyer to comment that 'the most important characteristic of the Competition Act is that it brings the DGFT into a more central position in the investigative system'[26]. The Deregulation and Contracting Out Act 1994 further increased the discretionary power of the DGFT, while removing such a cumbersome formal duty as report publication. Just as in the area of the restrictive trade practices control, therefore, those changes appear to have contributed to the "silent revolution" in the area of the control over mergers and monopolies.

Those changes may be regarded as the harbingers of the following transformation in the traditional style of British competition policy. To put it another way, the competition policy officials were well prepared for further legislative changes by having undergone some partial but substantial changes that would deserve the label of the "silent revolution". Furthermore, the extension of the administrative scope of the competition policy officials may have increased the acceptability of their argument by politicians and other public officials in the policy-making discussion, even though their formal legal status remained the same. They may also have grown their self-confidence.

Besides that, we should also remember that the OFT's orientation toward competition policy has become clearer in recent years. When the OFT was established, it was provided with the responsibility for consumer protection as well as competition policy. It is true that those two areas are often undividable, for consumer protection is in principle a part of the aims of competition policy. However, as Wilks observes, the 'association of consumer protection and competition policy… has also had

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[26] Whish and Sufrin, *op.cit*, p.119

uncomfortable aspects which have created tension throughout the life of the OFT'[27]. Nonetheless, the recent trend exhibits the rise in the weight of competition policy. As shown in Table 3, the OFT seems to have increased the share of the budget for competition policy in relation to consumer policy. This may naturally have had a positive impact on the status of the OFT in the policy-making process of competition policy.

Table 3 Budget structure of British competition policy: 1987-1998

(million pounds)

Year	OFT budget (a)	The ratio of Competition policy budget to Consumer protection budget* (b)	MMC budget (c)	Estimated amount of competition policy budget (a*b+c)
1987-89	10.60	0.36	3.73	7.58
1990-92	17.37	0.43	5.81	13.24
1993-95	19.43	0.46	7.07	15.94
1996-98	21.20	0.56	7.03	18.87

Note: The way to show the data of resource distribution in *Annual Report* was changed in 1991 with the creation of a new category for "professional and advisory support services" in which the share of the budget for competition policy is not indicated. The estimated amount of competition policy budget is, therefore, based on the assumption that the share of the expense for competition policy in 'Professional and advisory support services' budget is the same as the ratio of Competition policy budget to Consumer protection budget.

Source: calculated from the data of OFT

The rise of the DGFT's influence in the policy discussion

Against those backgrounds, the DGFT appears to have got involved in the policy discussion of competition policy more actively. Although it was still the DTI that held the formal policy-making role for competition policy, the arguments by the DGFT seem to have drawn more attention from politicians, the DTI officials and other parties

[27] Wilks, S.R.M. (1994) *The Office of Fair Trading in Administrative Context Context*, p.18

including the media.

It is true that Sir Gordon Borrie (1976-1992) was rather quiet in the political discussion perhaps because he did not want to draw her attention unnecessarily, but he gradually reveal his ideas to the public after Major took office. In 1991, for example, he publicly commented that '[m]y officials accompany their counterparts from the EC when they mount raids in Britain and come back telling me how useful wider investigative powers would be'[28].

The next DGFT, Sir Brian Carsberg (1992-1995), was even more active. He openly argued the necessity for the reinforcement of competition policy, even though it was against the idea of the then industrial secretary Heseltine, who was apparently reluctant for the active use of competition policy due to strong concern about international competitiveness. Interestingly, his ideas of institutional reform and reduction in ministerial control were supported by the members of the House of Commons Trade and Industry Committee[29], when the DTI looked inactive for the reform. Indeed, he was invited to address the House of Commons Trade and Industry Committee, and seemed to have affected the ideas of politicians. The DGFT's participation in the policy-making discussion as such had not been the case before. It is a pity that Carsberg could not do anything but resigned as the DGFT in order to show his frustration by the stance of the government, but it must be stressed that such open controversy was not the case in the past.

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[28] *Financial Times*, 10 May 1991

[29] House of Commons Trade and Industry Committee (1995) *The Fifth Report on UK Policy on Monopolies*, HC 249

It is true that the industry secretary has the power to control the staff policy of the competition policy agencies. This was apparently the case when Heseltine appointed Graeme Odgers to the MMC Chairman in 1993. The new Chairman was not a lawyer unlike his predecessors but an industrialist who believed that 'competitiveness ... is hugely important'[30]. He even 'declared with some pride that he was "four square" with [Heseltine]'s views on competitiveness, privatisation and deregulation, praising him as "a great champion and advocate of British industry"'[31]. Such ministerial control may deprive the competition policy officials of some significance, but the fact that the minister elaborated the appointment as such paradoxically indicates that they now became more significant.

Under those circumstances, the DTI seems to have become more willing to see the competition policy officials as more than enforcement bodies. Indeed, the DTI now introduced the OFT in its website as 'who have worked closely with DTI during the course of reforming Competition Legislation'[32].

To summarise, the competition policy officials now look powerful enough to express their opinion publicly, to draw serious ministerial attention, and to be the partners of the DTI. Perhaps this is mainly because of the rise in the political concern about market competition, but we should remember such changes as the "silent revolution" and resource concentration on competition policy, to understand the progress of their self-confidence and credit with others.

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[30] *Financial Times*, 24 August 1993

[31] *Financial Times*, 26 April 1996

[32] DTI (1999) *Competition Act 1998* <http://www.dti.gov.uk/competition/act/default.htm>

5. Conclusion

This study examines the policy-making process of the recent reform of British competition policy. The main questions are why the reform of British competition policy was promoted and finally achieved, and why the process was nonetheless so slow as shown above. Since the reform was largely viewed as a process of harmonization of British competition policy toward the European model, it is natural to take account of such external changes as the growth of cross-border economic transaction and the development of the Common Competition Policy. Yet we need to understand that their effect on international harmonization is not always positive, but sometimes negative. This may explain why the reform process had taken a weaving course for a long time.

Yet the discussion about external factors is not enough. It is also necessary to draw much attention to the changes within the national borders, that is, the development of the competition policy officials, as shown in the British case. Given the ambiguity of the effect of the external factors, the role of this internal factor is important for the promotion of the reform, no matter how much it is viewed as international harmonization.

Curiously, however, most of the current debate on international harmonization of competition policy seems to assume that the growth of international economic interdependence and the development of international institutions will automatically lead to the convergence of national competition policies. It may be true that international harmonization ultimately follows the growth of economic/ political internationalisation, but that is not always the case in the short run. To assess the recent movement toward

international harmonization of national competition policies concurrently, therefore, it is necessary to put much more emphasis on the significance of the internal change.

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