



EUROPEAN COMMISSION

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Building economic communities: Competition policy's contribution

Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort

ICN annual conference, special plenary
Singapore, 27 April 2016

Ladies and Gentlemen:

It is a special honour for me to take part for the first time in the annual conference of the International Competition Network.

First of all, Commissioner Vestager asked me to convey her regret for not being able to be with us in Singapore today. The Commissioner, the European Commission's Directorate General for competition and I personally very much appreciate the importance of the ICN and of our joint efforts to build cooperation and convergence among competition enforcers around the world.

It is in this spirit that today we are discussing the role of competition policy and enforcement for the establishment of economic communities. Let me take the opportunity to welcome the step recently taken by ASEAN countries to create an Economic Community across one of the world's most dynamic regions. Enforcers know first-hand that, once a framework that brings economies together is in place, our work is essential to make integration happen on the ground. Keeping markets together means keeping markets level.

It is a privilege and a pleasure to share with you a few remarks on the experience from the European Union in this respect. Every regional experience is specific or – as we would say among enforcers – each case is a case of its own. It will be for you to judge to what extent our experience can inspire or help others. On our side, I can say we are always keen to look at and learn from the experience of our partners.

Integrating markets

Integrating national economies was and is at the core of the European project. We know well in Europe that without robust and even-handed competition policy and enforcement, our Single Market would not work in practice and could eventually break up. The Single Market is clearly one of the Union's greatest achievement.

With over 500 million consumers and 21 million companies, it is one of the biggest economies in the world. Between 1992 and 2008 – before the financial and euro crises – the EU Single Market added over 2.77 million jobs and €233 billion to EU GDP. The Single Market is also more attractive to foreign investors, who have access to half a billion consumers at once.

However, the full potential of the EU Single Market has not been unlocked yet. To take just two examples, a true Digital Single Market – tearing down regulatory barriers and moving from 28 national markets to a single one – could contribute €415 billion to the EU economy. In the energy sector, an integrated Energy Union would make energy more competitive, affordable and sustainable. A free flow of energy across borders would also make supply more secure in every EU country.

Technological and economic change, the deep-rooted diversity of European countries and the progressive enlargement of the Union mean that our internal market is perpetually work in progress. The present European Commission is pushing to make the Single Market broader, stronger and deeper as part of its strategy to boost growth and promote job creation in the EU.

The role of competition policy

The years of financial and economic crisis that we have shared with different parts of the world give a new sense of urgency to these efforts and – once again – competition policy and enforcement are at the forefront. I say 'once again' because competition

enforcement has had pride of place among the policies of Europe's common institutions from the outset. Let me take a quick look at the development of our competition policy and enforcement since the 1950s to show how its robustness has greatly helped us tackle new challenges to this day.

Back in the 1950s, the architects of a united Europe introduced common rules to keep competitive conditions level across the whole of the common market. These rules were unprecedented in two ways: first, they were directly applicable in the member countries' legal order and, second, they were applied by a supra-national and independent central authority. This bold and visionary move allowed market integration to overcome mutual suspicions and to spread a culture of competition in each of the original six members as well as a sense of confidence in efficient and well-regulated markets.

In this respect, it was logical that control over our work was entrusted to the European Court of Justice, which – in practice – reviews a significant proportion of our decisions. This institutional set-up ensures that the Commission acts with strict impartiality and independence when applying competition rules. As Commissioner Vestager has said: "impartiality is simply non-negotiable. Because we know that our legitimacy, our credibility and – ultimately – the impact of our action depend on it".

We have frequent and intense exchanges with all our stakeholders. But political and business interests have always found the door closed shut when it comes to unduly influencing the way in which the Commission enforces the law. The system has also proved to be flexible and dynamic. For nearly six decades, competition policy and enforcement and the Single Market have evolved together. Let me recall a few turning points.

Turning points

Back in 1964 – the year I was born – the Commission concluded that it was unlawful for German company Grundig to sell its electronic goods in France through a single channel – a wholesaler called Consten. The case set an important precedent to prevent companies from re-introducing back door barriers to trade within the Single Market.

Another stepping stone dates from 1987, when the European Court of Justice not only upheld the Commission's decision on Philip Morris' plans to buy stock in its competitor Rothmans but also confirmed that acquisitions of equity in another company could serve as an instrument of anti-competitive behaviour in breach of EU competition rules. The ruling – together with the earlier Continental Can judgment – made clear that the Commission should intervene when mergers and takeovers restrict competition in the Single Market. It paved the way for the first Merger Regulation two years later, complementing the rules on antitrust and cartels.

A final turning point I'd like to recall is more recent. Until 2004, enforcement of EU competition law across the internal market remained the exclusive preserve of the Commission on the basis of a centralised system of notifications. When the Union enlarged from 15 to 25 Member States, Europe's competition system was decentralised. Member States' national authorities were empowered to implement EU competition law in close cooperation with the Commission in the ECN – the European Competition Network. Cases are shared between the Commission and national authorities according to which authority is best placed to handle them.

In present company, I don't need to extol the benefits of cooperation in general and of cooperation among competition enforcers in particular. Apart from the ECN, the Commission and the national authorities work with the ICN – our main multilateral forum

– as well as with OECD and UNCTAD. The EU also has a number of bilateral agreements with third countries and sister agencies around the world.

State aid control

This being said, let me briefly illustrate one responsibility that sets the European Commission apart from other competition authorities: monitoring and control of state subsidies to ensure they do not distort competition. In the Single Market, all economic operators must receive the same treatment, without distinctions based on who owns the companies or where their headquarters are located. The principle of competitive neutrality underpins competition policy and enforcement since the beginning of European integration. The EU Treaty itself states that the system of property ownership is a national matter. Without submitting state-owned enterprises that act as economic operators to the same rules as privately owned ones, the Single Market could not work.

State aid control, too has evolved with the times and has proven to be a nimble enforcement tool. For example, when the financial crisis of 2007-2008 hit Europe, State aid policy was swiftly re-tooled to make sure that EU governments' support to troubled banks would not jeopardise the Single Market by creating a subsidy race and giving unfair competitive advantages to aided banks vis-à-vis non-aided or less-aided banks. The experience paved the way for the new, single rulebook for all financial actors in the EU that we have today – we call it the Banking Union project.

These days the media extensively cover our State aid decisions about the tax savings granted to multinationals in certain Member States and similar investigations in the pipeline. Interest in these cases is keen because they coincide with global efforts to tackle aggressive tax planning. However, our competition concerns on tax deals are not new. There is long-standing case law from the EU Court of Justice that the distortive effect is the same whether a subsidy that gives a selective advantage to certain business is in cash or in the form of lower tax bills.

Let me emphasise before I close that the European Commission's Directorate General for competition is also looking ahead to understand developments in sectors that may weaken the Single Market. Just to mention two of many examples, we have recently published the interim report of a fact-finding exercise in the field of State aid in electricity markets. We are looking at measures EU governments take to ensure there is enough capacity to produce electricity and meet demand at all times. If not designed well, these so-called 'capacity mechanisms' could fragment electricity markets.

Another inquiry we are conducting – this one in the field of antitrust – is on e-commerce. Last month we presented early findings on the ways companies prevent online sales from one EU country to another (so-called geo-blocking). Such obstacles to e-commerce in the Single Market potentially deprive European businesses and workers of the growth and jobs opportunities offered by lower prices and greater choice. Not all issues arising in this context can be tackled through competition policy and enforcement. But insofar as they do, we want to address them. These surveys follow the principle that the quality of public policies – including competition policy – improves when they are based on facts and reach out to stakeholders.

Advocacy

I have presented a few reasons why, over time, consistent and uniform competition rules build what I would call 'economic peace' among the members of an economic community. It helps them play as a team and tackle the most pressing challenges together. At the same time, these competition rules contribute to making markets work

better. They give us, so to say, some of the escape velocity needed to overcome the gravitational forces that hold our economies back.

But just as the EU is much more than a common market, there are other benefits of competition policy that go beyond the economic sphere. Every decision taken by Europe's competition enforcers – the Commission and national authorities – affirms that the EU is a community of law. They also demonstrate to civil society that the system can work for the common good and deliver concrete benefits to the citizens.

It is important to stress the political dividend of independent and robust competition enforcement in these still uncertain times for the world economy and for many of our societies. Of course, some of our investigations and decisions stoke controversy as the companies and governments involved make their cases in the public arena – and they have every right to do so. But if we look beyond the trees at the forest, one can see that a respected, independent and effective competition-control system is a unifying factor in an economy and society.

The ICN is the ideal place to look for examples of the unifying power of competition policy and enforcement and I commend the advocacy work carried out by the Network. In fact, we can never put enough emphasis on explaining to all our interlocutors in civil society, industry and government how openness, mutual trust and cooperation between competition authorities can help them deliver their goals more effectively.

Thank you for your attention.