

# **Competition policy and competitiveness of European economy**

**By**

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**For**

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Ladies and Gentlemen,

I will lay down some reflections on the EU's growth and competitiveness strategy and the role that competition policy can play in increasing the competitiveness of the European business.

## **I. The contribution of competition policy to competitiveness**

- Competitiveness is a key point in the European agenda.
  1. 3 years ago launch of the Lisbon process, which aims over 10 years to make the EU *"the most competitive and dynamic knowledge-based economy in the world capable of sustaining economic growth with more and better jobs and greater social cohesion"*.
  2. Criticism has been raised about Europe's progress against the Lisbon reform timetable. However, considerable progress has been made as regards, for example, opening of energy markets, creating a single sky and putting into place an integrated Europe-wide financial market.
  3. In the Spring European Council last March the Member States demonstrated again their commitment on the Lisbon objectives, stressing two factors through which the opportunities for sustainable growth and competitiveness can be captured: a) strengthening the internal market by pursuing market reforms and; b) giving priority to innovation and entrepreneurship.
- Competition policy plays a central role as regards the existence of incentives to innovate.
  1. Indeed, competition policy is about protecting competition as the most efficient system for allocating the resources of the society and not about protecting competitors.
  2. Competition reduces price differentials and avoids waste of resources.
  3. Competition ensures a dynamic business environment that ensures competition sets **incentives to innovate** and foster productivity growth.
  4. A regulatory framework that upholds effective competition increases the competitiveness of European industry; it induces

firms to enhance their efficiency and thus enables them to better prepare to compete in home and international markets.

- Competition policy plays also a central role as regards the achievement of an integrated European market.
  1. Competition policy is key to establishing a level playing field in the common market, which is a major request by industrial operators helping in particular those with competitive advantages to grow, expand and enter into other markets.
  2. Effective implementation of competition principles ensures that benefits deriving from removal of barriers to trade are not annulled by anti-competitive practices, such as abuses of dominant positions or cartel between producers, which harms both enterprises and consumers.
  3. As you know, we successfully reinforced our fight against cartels. In 2001 the Commission adopted 10 prohibition decision, for a record amount of EUR 1,8 billion. Again in 2002 nine prohibition decision were issued and fines for about EUR 1 billion imposed in sectors ranging from banking services to chemicals and from auction houses to construction materials. I am confident that we are going to follow the same pace in 2003.
  4. With the entry into force of Regulation 1/2003, we are in the process of re-thinking our approach towards other infringement to Article 81 and abuses of dominant position, with a view to focussing on the most detrimental unlawful practices.
  5. Beyond “abuses of private power”, our EU competition policy is set to defend trade within the single market against possible distortions arising from public intervention as well. This is done not only ensuring that competition rules are applied as well to **public undertakings**, but also preventing the grant of **State aids**. By giving certain firms or products favoured treatment to the detriment of other firms or products, State aid seriously disrupts normal competitive forces.
  6. As regards State Aids, we can look back over the work of the past few years in State Aid with some satisfaction. State aid granted by the fifteen Member States was estimated at €86 billion in 2001, compared with €102 billion in 1997. In relative terms, the amount of aid granted in 2001 amounts to slightly less than 1% of the EU's GDP. Moreover, this aid is increasingly oriented towards

horizontal objectives of Community interest, such as R&D, and away from the more distortive individual aid measures. There is, however, still much work to do in this area.

7. As regards liberalisation, a good example of the Commission's actions is given by the energy sector. Further measures for the full liberalisation of both gas and electricity markets (the so-called "acceleration directives" and a regulation on cross-border trade of electricity) proposed in 2002 by the Commission have been adopted in June 2003. These directives call for the liberalisation of electricity and gas markets for non-households users by July 2004, and opening for all users by July 2007.. Thus this new legislation will eliminate the distortions of competition resulting from the different speeds at which the Member States have been opening up their markets and improve competition conditions for effective liberalisation. Close monitoring of market behaviour by the competition authorities will be key to the effective success of this process.
8. Beyond network industries, liberalisation policy could free up market opportunities in a variety of regulated sectors. One of the areas currently under the scrutiny of the Commission is liberal profession services. Regulation of professional services varies greatly from one EU country to another particularly with regard to prices, advertising and inter-professional collaboration. The Commission launched a consultation on whether some of the restrictions – which retrace their origin in the medieval guilds – are still needed in the modern world and might not have an adverse effects for businesses, which are active users of professional services, and consumers alike.

## **II. Easing compliance with competition rules**

- Over the last few years important notices were adopted as regard the antitrust field explaining relevant aspect of Community competition policy as to vertical restraints, horizontal co-operation agreements and agreement that can be deemed of minor importance because do not appreciably restrict competition. Further guidance, will be provided in view of the reform process (e.g. condition for the application of Article 81(3); concept of affectation of trade between Member States).

- Also in the merger field, many efforts are being done to clarify both the substantive test to assess the competitive impact of mergers and the procedural rules followed in their day-to-day handling (**draft Best Practices on the conduct of merger investigations; Guidelines for divestiture commitments**).

### **III. European competition policy reforms will further strengthen competitiveness**

- As you know, the Commission is carrying out an ambitious programme of reforms in antitrust, merger and state aid fields, with the aim of ensuring that our competition rules, whilst building on the past, reflect the needs of today and tomorrow. I am convinced that these reforms will further strengthen the contribution of competition policy to the competitiveness of EU economy.
- The best example is the modernisation of the 40-year old Regulation setting the procedural rules for enforcement of the Treaty's provisions on agreements between companies, which may restrict competition, and abuses of dominant position.
  1. The **new antitrust Regulation** will constitute an important step towards a decentralised application of EU antitrust law, setting up a system of governance which is better suited to the enlarged Community.
  2. The abolishment of notifications will bring about a change of culture for companies and their lawyers. On the one hand, companies will have more security to enforce their agreements before national courts and less administrative burden. On the other hand, companies will have to carry out more self-assessment of their agreements and practices. The consequence of the new system for companies will be more security but also more responsibility.
- Benefits are also expected from the **reform of merger regulation**.
  1. It will notably clarify the substantive test to assess the competitive impact of a concentration.
  2. It will also simplify the system for the referral of merger cases from the Commission to national competition authorities and vice versa. This in turn, will also allow to reduce the incidence of "multiple filing", i.e. notification to numerous competition authorities within the EU.

- Finally, we are currently working on a programme aiming at modernisation of rules and procedures in the field **State aid** control. The aim is, particularly in view of enlargement, to try to refocus our efforts so that we can concentrate our time and resources on important cases which present real competition concerns at the Community level and hamper the growth and competitiveness of the European business.

## **Conclusion**

A few concluding remarks.

- I believe competition policy contributes decisively to competitiveness and economic growth in Europe.
- The Commission ensures transparency of the rules, as well as their continuing adaptation to the challenges of modern economy.
- I am sure the business community is willing to take up the challenge of competitiveness and to contribute to the establishment of a dynamic environment, founded on competition, capable to foster innovation and productivity growth.