

53rd Liberal International Congress

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“COMPETITION IN A GLOBALISED WORLD”

NEELIE KROES

European Commissioner for Competition

Check against delivery

[President Neyts-Uyttebroeck, Prime Minister Saxe-Coburg, Dr Dogan]

Ladies and Gentlemen,

I have several reasons to be very pleased to be here today. As a Liberal, I am delighted to join with all our international family for this 53rd Congress. As a European, it is a particular pleasure to be here in Sofia just one day after Bulgaria ratified its Accession Treaty, which marks an historic step in relations between this country and the European Union. This is my first visit to this exciting and beautiful country and, as an eagerly-awaited accession draws ever closer, I hope it will be the first of many.

Today I would like to speak of the **opportunities and challenges of competition in a globalised world**, and give you an overview of how the European Union is dealing with them. These are issues which are of course very close to my heart as a Liberal European Competition Commissioner.

I think that all Liberals would agree that **international competition is no zero sum game**. The benefits of competitiveness, growth and lasting social and environmental development are mutually reinforcing. A properly managed environment for business sustains and promotes competitiveness, productivity and growth, in global and regional trade markets, as well as at national level. And we all need flourishing economies if we are to develop and sustain fundamental societal objectives such as social justice and environmental protection.

In the last months, the **European Union has been doing a lot of thinking about how we can enhance economic growth** in the coming years. For Europe is facing a twin challenge. Business is rapidly becoming global. This brings **competitive pressures** not only for products relying on intensive labour inputs but also for high-value and high-tech products. In addition, Europe is **ageing** at an alarming rate. This will reduce the number of people in active employment and may lead to considerable strain on our social security systems, and on our social model as a whole.

At the same time, Europe has a **formidable economic potential**. The enlarging internal market of approximately 500 million people is an enormous asset, giving us world-class skills and innovation capabilities. Yet Europe has not yet released all the benefits of its potential.

To respond to this, in March the European Council endorsed the Commission's proposals for re-launching Europe's blueprint for economic reform –the Lisbon Strategy – through the establishment of a **Partnership for Growth and Jobs**. The renewed Strategy sets out priorities and actions, both nationally and at EU level, which will help the Union and its Member States drive up productivity, create new jobs, and unlock the potential of Europe's internal market and its innovative capabilities.

I would like to emphasise here that we do not see Europe's competitiveness as a race against other economies or regions around the world. Although there are some people who would try to convince you otherwise, it is simply not true that wealth created elsewhere is lost prosperity at home. **In the wider context of**

open markets within a globalising economy, efforts to deliver growth in one part of the world can create a multitude of opportunities elsewhere too.

In our current situation in the European Union, reverting to heavy-handed state intervention and protectionism would be a sure recipe for failure. On the contrary, **open dynamic markets are the best means to promote successful enterprise, ensure long-term growth and raise the standards of living for everyone.** Competition enhances growth in productivity and encourages companies to innovate. Competition makes companies strong and adaptable. And competition at home makes sure that businesses will also be able to successfully compete abroad.

This is why competition policy is one of the cornerstones of Europe's partnership for growth and jobs. **And my message to my fellow Liberals – wherever you call home – is that competition policy has a fundamental role to play in delivering the conditions for growth in all our markets.**

The **European Union's competition rules and the policy** which underlies them are designed to make sure that the dynamics of competitive markets are preserved throughout our internal market.

Our policy makes sure that **companies do not co-operate to impede competition**, and that **mergers** take place in a manner which preserves competition in the marketplace.

State aid control is also crucial: when employed to bail out failing firms, public subsidies disrupt competition and the internal market. On the other hand, when Member States grant support for companies' research activities, this can have very positive effects, and is perfectly acceptable. We are currently reviewing our state aid regime to align it better to the parallel objectives of keeping aid levels down and focusing aid where it has the most added value in terms of boosting innovation and growth.

The creation of an internal market has been a real achievement, and the cornerstone in the economic integration of the European Union. With enlargement, a new dynamic is being added to this internal market. Yet, however much we have achieved on paper, our **markets still do not operate to their full potential**. For instance, regulation – both at EU or Member State level - may in some cases act as a barrier to growth and innovation.

That is why the European Commission is determined to ensure that our policies actively contribute to delivering ever increased competition, new market entry and innovation.

Competition policy can help identify barriers to competition, for instance through selective **market screening** of key sectors. In the coming months, the European Commission will launch sector enquiries looking at the energy and financial services markets in order to find out why they are not yet delivering to their full potential. We will also systematically **test the impact of new EU legislation on competition**, and work together with our Member States to help them review national regulation, again with a view to find out whether some of

it could stand in the way of competition. Bit by bit, **we are working to make Europe a better place to invest and do business in.**

I would also like to briefly mention what I am convinced must be a defining characteristic of European competition policy over the coming years. Europe cannot do it alone. **The increasing integration of the world economy - as reflected by the rise in multi-jurisdictional mergers and anti-competitive conduct across borders - makes international cooperation vitally important for all modern competition authorities.** I am determined to ensure that the European Commission has an open and constructive relationship with fellow competition authorities world-wide. We all have a great deal to learn from one another.

Ladies and Gentlemen,

Please allow me to close with a few words on our kind host country, Bulgaria.

Embracing a modern competition regime has been one of the great steps Bulgaria has taken in properly preparing for accession. **Bulgaria has embarked on the path to a truly competitive environment with vigour and diligence.** Once the reforms are all in place, I have no doubt that Bulgaria will boast a truly functioning market economy, a raft of successful businesses that can compete on the global market, and a higher standard of living.

Applying EU competition policy in full will no doubt bring certain pressures to some parts of Bulgaria's economy. Some companies will need to be restructured and adapted to the internal market Bulgaria will soon be part of. **Now is therefore a period of adaptation and change.** I would, however, assure you of three things. First, I am convinced that Bulgaria has the determination, courage and drive to see the necessary reforms through. Second, the European Commission will continue to accompany and support Bulgaria as she takes this challenging path. And third, the results will be worth it, both for Bulgaria and for the rest of the Union she is to join very soon.

This is why I would urge Bulgarian Liberals, together with fellow Liberals from all countries, to make sure that promoting competition is an issue fixed high on all our political agendas.

Thank you for your attention.