

**Neelie Kroes**

Member of the European Commission in charge of Competition Policy

## **Competition in the European Union – the Case for Romania**

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

European Institute of Romania

**Bucharest, 12<sup>th</sup> May 2005**

Ladies and gentlemen,

It is my great pleasure to speak at the European Institute of Romania today. I see competition advocacy – explaining the benefits of sound competition – as a key part of my work. Therefore, although this is my first visit to Romania in my capacity as European Commissioner for Competition, I am confident that, as Romania's Accession moves closer, this will be just the starting point of fruitful co-operation with your authorities over the years to come.

We believe in open and more competitive markets. Delivering them requires a constant effort – we live in an ever-evolving world, and that means the task of keeping the playing field level is both difficult and demanding for all of us, those already in the Union as well as those looking forward to accession. But it's a challenge which is worth the effort. It is only by successfully creating competition at home that you can strengthen your economy, create better and more secure jobs, become competitive in your neighbourhood, and eventually succeed on the world stage.

Vigorous competition is a key to competitiveness, for Europe and for its individual states. Competitive pressure enhances growth in productivity and encourages companies to innovate. And facing competition at home makes European firms toughen up, ready to hold their place in a global market. This is why the competition rules of the European Union are designed to make sure that the dynamics of competitive markets are preserved.

A firm and principled competition policy contributes greatly to European competitiveness. It tackles private barriers to competition by preventing firms from engaging in damaging cartels or from abusing dominant positions on our internal market. It also ensures that regulatory measures do not end up being obstacles to competition and entrepreneurial activity.

State aid control is also crucial: when used to bail out failing firms, public subsidies disrupt competition and distort the proper functioning of the internal market. This does not mean that all aid is prohibited. State aid can be authorised if it promotes objectives of common interest. But state aid has to be used sparingly, and soundly. Otherwise, what was conceived as a remedy for certain ills may end up being an ill itself.

These principles hold true for all Member States of the European Union. All Member States face the challenge of globalisation. They are all confronted with fast-rising economic powers, such as China or India. All Member States therefore need to make sure that their companies get the right incentives – and are subject to the right discipline – in order to stay competitive and be able to reap the very considerable benefits which the global marketplace has to offer.

For all our economies, globalisation is a great opportunity. But it also implies finding innovative ways to meet new challenges. And that means reforming how we operate ourselves. I understand that the reform process is perhaps most visible in new Member States, and even more so for countries on the verge of Accession. But if Europe is to deliver sustainable economic growth, it is a process which everyone – old and new, big and small - needs to engage in. That is exactly the message which underpins the Partnership for Jobs and Growth launched by the European Commission and endorsed by the European Council in March.

Once Romania has joined the European Union she will be a full Member of the world's most important economic bloc, strengthening her position in the global division of labour. Access to EU-wide innovation networks and financing will boost your economic development. And being fully subject to European competition policy and discipline will drive increased productivity and economic growth, ultimately raising Romania's standard of living. All this will bolster Romania's position vis-à-vis emerging economies in other parts of the world.

But if this opportunity is to materialise, the Romanian economy must be fully competitive upon accession. Romania needs to create a truly functioning market economy, and to establish successful businesses that can compete on a European scale, in order to be successful. It is therefore essential to ensure that competition discipline is up and running at full speed in Romania as a future Member State.

I understand that this is a challenge. But it is one that I am confident that Romania is more than capable of meeting. And the signing of the Accession Treaty on 25 April is an important signal that Romania is willing to rise to meet it in full.

Competition has been one of the crucial chapters in all enlargement negotiations. And for obvious reasons: any country intending to join the Internal Market must prepare its economy to cope with competition. If an acceding state were unprepared, its companies would risk economic failure, its workers unemployment, and its political class frustration and ultimately rejection by the electorate.

Free markets are not, of course, an end in themselves. They are merely a means to further social justice, cohesion and consumer welfare, to provide us with the wealth we need to create a fair society. This is the ultimate reason why it is so essential to be well prepared for accession. Without proper preparation, all potential benefits of accession could come to naught.

And this is also why in this area above all others, it is actions and not words which matter. Mere political "commitments" are insufficient when it comes to competition discipline. In this vitally important field, three elements have had to be put in place well before accession by all acceding countries:

- the necessary legislative framework
- an adequate administrative capacity and
- a credible enforcement record.

All acceding countries found these requirements difficult, to a greater or lesser degree. But none has yet acceded to the European Union without having met them. And there really is no other way. Compliance is an inescapable pre-requisite for accession.

Romania has introduced the necessary legislative framework. It has also established, with the Competition Council, an able supervisory authority. The challenge now is to get this institutional framework really working. To establish a good track record of enforcement and to demonstrate that Romania will keep it up after accession. This last element has until now been less satisfactory, in particular as concerns state aid and the restructuring of the steel sector. As you know, these concerns have led to specific rules on state aid control and a specific safeguard measure in the Accession Treaty.

In order to prevent incompatible aid from being “imported” into the Union, a mechanism exists for examining state aid put into effect before accession and still applicable thereafter. In principle, such pre-accession measures would qualify as existing aid and benefit from special protection. But aid existing before accession does not automatically get “existing aid” status. Only those measures which are first approved by the competent Competition Authority, then submitted to the Commission, and to which the Commission does not object, will be considered “existing aid”.

And this procedure can only apply once Romania’s state aid enforcement record has become satisfactory. As long as this has not improved, all aids will be considered “new aid”, will have to be reviewed by the Commission upon accession, and may even have to be recovered.

This acts as a strong disincentive for potential investors. It is therefore in the interest of your authorities, business, and every one of your citizens, to support the establishment of a properly functioning monitoring system which can demonstrate that Romania is consistently applying full control of all State Aid measures.

I am confident that Romania will be able to establish a good track record in these areas over the coming months. Time is not on your side, but I am sure you understand why taking the necessary steps - and quickly - is in the best interest of your country.

The Accession Treaty also provides for a further safeguard measure. The Council may, on the basis of a Commission recommendation, decide to postpone Romania’s Accession by one year in case of persistent shortcomings in Romania’s performance, in, amongst others, the competition area. Next November the Commission will publish a report on whether Romania has made sufficient progress. This will form part of the basis on which the Commission will have to decide whether or not to recommend that Accession be postponed.

Of course, we all hope – and I trust - that we will not need to use this option. But it is my responsibility and duty to make it very clear, in no uncertain terms, that should Romania’s performance not improve, the Commission would have no other option than to propose postponement.

That is why the Commission remains committed to accompanying and supporting Romania as it moves along this challenging path. The Commission is in continuous contact with the Competition Council. We are working together in the preparation of all state aid decisions and exchange views on legal concepts in the area of antitrust. This co-operation foreshadows the deeper co-operation which will occur after accession, once the Competition Council has become a full member of the European Competition Network, the pan-European network of competition authorities.

Yesterday I met the President of your Competition Council, Mihai Berinde, to take stock of progress made. I am impressed by his determination, and by his services’ commitment to monitor the state aid plans of other government bodies. The task they face is certainly not easy.

But this is not only the job of the Competition Council; all state aid granting authorities must become fully aware that not playing by the rules would have serious implications.

I am confident that the strong safeguards in the Accession Treaty will motivate Romania to quickly make the final push needed to implement its commitments in the competition field. And I look forward to welcoming Romania into the Union, as soon as this may be. But if Romania wants to join us soon, it must act now. The clock is ticking, and in real terms there is little time left to complete the reforms.

I would not want to end by leaving you with the impression that we in the Union have achieved all of the objectives we have set ourselves. We have recently relaunched the Lisbon strategy to focus on delivering the economic growth and jobs Europe needs. And however much it may already have delivered, the European internal market still has not reached its full potential. This is why the European Commission will soon launch sector enquiries in the energy and financial services sectors, identifying where private or regulatory barriers to fair competition may still remain and proposing remedial steps where necessary.

We will also make a more systematic assessment of how EU legislation impacts on competition, as part of the better regulation agenda. And we will work together with Member States to find out whether national regulations could stand in the way of competition.

So while we are asking Romania to introduce reforms, we are at the same time busy implementing our own reforms to further improve European competitiveness.

Competition policy and discipline is an ongoing process. But it is well worth it. You are currently going through a period of adaptation. This may be difficult, and it is not yet over. But not so long from now, you will see the benefits. You will see Romanian businesses compete successfully in Europe. You will see Romania's economic development intensify. And you will see Romania catching up with the rest of the Member States, as a peer among peers.

Ladies and gentlemen,

I hope that I have given you some idea of the task ahead and the rewards that await.

Creating a truly effective competition policy may require some tough decisions. And I will be forced to sound the alarm-bell if Romania lags behind in implementing its commitments.

But the creation of the European Union, and its growth to twenty-five – soon twenty-seven - Members, is one of the great political, economic and social achievements of our times. I am happy, and proud, to be part of the Commission that will in all likelihood welcome Romania into this Union.

For those matters that fall within my responsibility, I am determined to lend whatever assistance I can to make sure that this happens. It is my profound conviction that, working together, we can and will ensure that Romanian Accession becomes a reality.