Making globalisation work for Europeans

Honorary Doctorate Ceremony, KU Leuven, 23 November 2017

** check against delivery **

Ladies and gentlemen

Thank you very much to the Rector of the University, Luc Sels, and to Professor Koen Debackere for his very kind words.

It's very moving to receive this honorary doctorate, here at Leuven University. Because in the nearly six centuries since the university was first founded, Leuven has shaped our map of the world.

Sometimes literally. Many of us have a world map on the wall that uses a technique that goes back to Gerardus Mercator – or Geert de Kremer, as he was known when he first came to Leuven as a young man around 1530.

One of the things that fascinates me about Mercator is that he changed our way of looking at the world, while hardly ever leaving the Low Countries himself. Instead, the world came to him, in letters and books filled with news of the latest discoveries.

The opportunities of globalisation

In Mercator's time, that made him rather special. In ours, of course, we're used to the world coming to our door. We expect to see kiwis and pineapples on the supermarket shelves. We're used to buying products made all over the world. We don't find it strange that our job depends on exports to the world – as 30 million jobs in Europe do.

So it's no surprise that most Europeans see globalisation not as a threat, but an opportunity. And I think they're right.

I don't mean to say that Europe can take success for granted. European companies face tough competition from all around the world.

But we have what it takes to make it. We have skilled, creative people, trained in our schools and in world-leading universities like this one. We have years of experience in creating a good, reliable environment to do business.

A modern industrial policy

And the job for Europe is to help our businesses make the most of those assets. Which is exactly what the Commission's renewed industrial policy strategy is about.

It's about helping European governments and businesses work together. So our industry can take full advantage of digital technologies. And so Europeans have the right skills to fill those new digital jobs.

It's about helping European innovators find the money they need to turn an idea into a successful company. The Juncker Investment Plan is using EU money to support billions of euros in private investment – more than 250 billion euros so far. And our Horizon 2020 research programme is providing funds to take new ideas from the lab to the market.

And a modern industrial policy is also about spreading these benefits to every part of Europe. So we work with Europe's national and local governments, to help them find the niches where smart specialisation can make those regions into world leaders.

Competition and the needs of consumers

But it's not only businesses that are finding their way in a new world. Individuals are too. And we need to make sure that they too have confidence that global markets work for them.

And that's where competition enforcement comes in.

People know they depend on big, global businesses for their everyday needs. For the food they give their children, the medicine that keeps them healthy, the Internet services that connect them to the world.

And that can sometimes feel unsettling. It can be hard to believe that as individuals, we can have any influence over what those companies do.

But competition gives individuals that power. It means that companies have to listen to their customers. To cut prices, offer more choice, come up with new, innovative products. Because if they don't, they know consumers can just go somewhere else.

That's why we have rules against cartels, so companies don't gang up against consumers to fix prices. It's why we have rules against companies misusing their power to drive out competition. State aid rules, so companies have to compete to serve consumers better, instead of just relying on government subsidies.

Merger control

And it's also why we have the power to put a stop to mergers that undermine competition.

Those rules aren't about stopping companies from getting big. They're about making sure mergers don't remove the competition that makes markets work for consumers.

You can't do that just by relying on a few rules of thumb. You can't assume that a big merger will always harm competition. Or that because a merger is harmless in one country, it won't hurt consumers in another. The only way to do this job properly is to have an open mind, and to follow the evidence.

Geographic market definition

Let me give you an example.

A few years before Mercator, the great humanist Erasmus of Rotterdam came to Leuven. He was fleeing from the plague in what was then Flanders. And soon after he arrived, Erasmus wrote to a friend that he was pleased with everything in Leuven – except that the prices were high.

It's hard for us now to imagine a Europe where prices were so different from one town to the next. Where customs duties, and bad roads, meant a teacher in Leuven couldn't just go to Ghent or Cologne for a lower price.

And yet even today, in this time of globalisation, we can't always turn to companies in other countries for a better deal. Cement, for example, is so expensive to transport that plants more than a few hours' drive away aren't a real option. Mobile phone customers in Belgium can't get a subscription from France, even if the price is better just over the border.

So we can't assume that a merger won't harm consumers, just because there are still competitors somewhere in the world. We need to check to see if those competitors are a real alternative for consumers. That's why, when we look at mergers, one of this first things we do is to see what the geographic market is.

Of course, globalisation is making a difference. This isn't Erasmus's world, with a different market for each town. In 2012 and 2013, more than 60% of our merger decisions involved a market that covered the whole European single market – even the whole world. A decade before, the figure was only 48%.

But each case is different. And each time, we look very carefully at what alternatives really exist for customers. So that we can really understand how the merger will affect them.

European champions

Because the whole idea of our work on mergers is to protect consumers.

We understand that Europe's businesses may need to grow to compete, on world markets that are getting more and more competitive. We just want to make sure that consumers don't end up paying the price.

It might sound as if those goals are bound to conflict. But in the last ten years, of the 3000 mergers we've looked at, we've ended up blocking only seven. Because in almost every one of those cases, there's a way for the merger to go ahead without harming consumers.

It seems quite possible that Mercator, on an evening out in Leuven, might have had a beer or two from the Den Hoorn brewery. It had already been around for nearly two centuries. But at that time, it wasn't much different from hundreds of others.

Now, of course, that brewery has become the heart of a huge beer company that sells to 50 different countries – from its base right here in Leuven. By last year, that company – AB InBev – was the largest brewer in the world.

And then it decided to merge with SABMiller, the world number two, to help it compete better in markets around the world.

When we looked at that merger, our goal was very simple. Not to stop the merger. But to make sure it didn't harm consumers.

It turned out that in several European countries, the merger would have meant beer drinkers had to pay higher prices. But we approved it after the companies agreed to solve that problem, by selling off SABMiller's business in nine European countries.

And that's not an unusual case. It's how the merger rules work. In fact, it's often not even necessary to sell off part of the business. Because the market might be very competitive. Or the two companies might not have competed before the merger. So even rather large mergers might not affect competition.

Earlier this year, we reviewed a merger between two big European toll road operators. One, an Italian company, was mainly active in Italy. The other, from Spain, was focused on Spain and France, with only a little business in Italy. So we concluded that the merger wouldn't harm competition, and we approved it without any changes last month.

And in July, we approved Peugeot's takeover of Opel, again without the companies having to sell off any businesses. Of course, those two companies certainly are rivals, in markets all over Europe. But those markets are so competitive that the merger didn't harm competition.

The importance of competition

That's why I take it with rather a large pinch of salt when I hear that merger rules can hold back European companies from succeeding in the world. It's true that in some markets, size really does matter. And that mergers can help our businesses to grow big enough to compete. But there are many ways to do that without harming competition – by selling off part of the business, or merging with a company that has strengths in a different part of the world.

So the merger rules don't stop European businesses from growing. They just make sure that consumers don't pay the price.

Because in the end, our economy is there to serve society – not the other way round.

Last year, the French dairy company Danone bought WhiteWave, a US business that specialises in soy milk. That merger created hardly any problems for competition. It was only in Belgium that it would have meant higher prices for toddlers' "growing-up milk".

That entire market is worth 45 million euros a year – not a lot, compared to the companies' turnover of 25 billion. But for Belgian parents, the price of growing up milk really makes a difference. And there's no reason why they should suffer, just to let the merger happen. Especially when the problem could easily be solved – as in fact it was – by Danone selling that part of its business.

Competition and competitiveness

And besides, competition isn't only good for consumers. A competitive market helps business as well.

Competition means that the companies that succeed are the ones that serve customers the best. That produce innovative products, at a price they can afford. And that's just what our companies need, to face global competition.

So competition rules help to keep Europe competitive. They make sure success really is about being the best – not just the biggest, or the best connected. They mean companies like Google – which dominate their markets - can't just use that power to stop others competing. And that governments can't give special tax treatment to a few favoured companies, making it hard for anyone else to compete on equal terms.

And competition rules also keep costs down for businesses. In the last few years, we've dealt with cartels for things like car parts and trucks. We've made sure that mergers didn't raise prices for things like cement and container shipping. And all of that helps to keep our businesses competitive. Whether that means big multinationals, or the SMEs that account for 80% of our export businesses.

And there's one more thing. Other countries have merger rules as well. And when European companies operate around the world, what they want from those authorities is to be treated fairly. To get decisions that are based on how their actions affect competition – and not to be punished for being European.

And in fact, we work very closely with authorities around the world. We exchange our thoughts about mergers, and try to find solutions that we can all agree with. Since the start of last year, we've worked closely with the US authorities on more than twenty different mergers. And we're also very active in the International Competition Network, which brings together more than 100 authorities from around the world – and comes up with best practices that we can all agree on.

Because I think this is the right way to make sure our companies can compete on a level playing field throughout the world. Not to let down our businesses and consumers, by giving up on protecting competition here in Europe. But to keep working to make sure our partners around the world take competition as seriously as we do.

Last week I was in China for the first meeting in our dialogue on state aid. That dialogue will build a bridge between our state aid rules in Europe, and China's new rules which aim at making sure state action doesn't harm competition. So we can work together, to discuss the sort of subsidies that make the global playing field uneven. But all that cooperation depends on a basic principle - that each authority is treating all businesses fairly. Equal treatment is a fundamental principle of the European Union rules.

It's a different issue, of course, if foreign takeovers affect our security. That is not an issue for competition rules but of investment regulation. Already, many of Europe's biggest trading partners already have systems to address this. Countries like the US and Canada, Australia and Japan.

And that makes sense. Because our complex economy can be fragile. We depend on raw materials to keep our factories turning over. On vital infrastructure, that needs to stay safe from cyber-attacks. And we need to make sure that takeovers of that sort of business don't harm our security.

That's why we've proposed a new framework to screen foreign takeovers that could threaten our security or public order. But that framework doesn't change our competition rules. They still have one purpose, and one purpose only – making sure that mergers don't harm competition.

Conclusion

Five centuries ago, when Mercator came to Leuven, he met a man by the name of Andreas Vesalius. The two of them became friends for life.

Vesalius had read all the old books on anatomy. He knew how the ancients thought the human body worked. But he also knew, from his own work, that those ancient dogmas weren't true. So he took a bold step. He decided to throw away those old ideas, and build a new anatomy based on how people really work.

When we deal with mergers, there are more than enough dogmas we hear repeated. Mergers must be good, because they make companies more efficient. They must be bad, because they mean that companies get bigger. Globalisation means that our markets must also be global.

But our rules aren't about dogma. They're about trying to understand what people really need. How they choose products, and how companies' actions affect that choice. And the aim is not to find one answer that fits for everyone. It's to make sure that in each individual case, we protect competition.

And when you get down into the details, you find very quickly that we can shape globalisation in a way that works for all of us. We can have European companies that are strong and competitive, able to match up to the best in the world. We can also have an economy that meets the needs of consumers, where individuals can count on a fair deal.

And our competition rules can do their bit to make that happen.

Thank you.