

"How Malta can get the most out of competition policy"

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There is no one simple answer to the question 'how can Malta get the most out of competition policy' ... but I will try to make an interesting story of the several answers!

The most important themes that run through the answers are the need to be strategic and to work hard.

Given that Malta has built much of its past success on its strategic location, and given that you have never relied on natural resources to build that success, I think you are in an excellent position to take advantage of what strong competition offers the EU marketplace.

Exploiting the single market

It is easy to forget that the European single market is the biggest market in the world. It is truly Europe's and Malta's best asset in the global economy.

For a small nation such as Malta, access to the single market means you do not have to be on the fringes of the global economy – it is like building a freeway linking Malta and the global economy – and it is great preparation to take advantage of whatever opportunities the new Mediterranean Union will bring.

Whether buying, selling, travelling or studying – the single market opens up a world of opportunities, especially for the young generations.

How is this relevant to competition? Well, competition and the single market are inseparable. Competition and a level playing field are the foundation of the single market.

The single market can't work if everyone uses different rules. The only practical solution is a level playing field and that means everyone – whether a Maltese start-up or a German titan - gets equal access on fair terms to the market. This is especially helpful to small states and

companies, and partly explains why so many are keen to join us or copy us.

The single market has been responsible for a large chunk of the increase in prosperity of EU member states over the last 50 years, and we would all be poorer if elements of the single market were undone. As a new member state these benefits are not necessarily obvious yet - but a key link that needs to be understood is that because your prosperity is now linked to the single market, your prosperity is also linked to maintaining and improving competition.

That is an easy thing to say in abstract ... indeed, sometimes there are losers from competition and they can make compelling arguments about why it is easier to avoid competition. In fact we are hearing louder and louder voices calling for exactly that. But what seems like the easy road today, is actually the road to relative poverty. It might save a few jobs temporarily – in your shipyard, for example – but for the whole economy it means losing many thousands of jobs over the years to come.

For a state such as Malta, which aims to catch up with the bigger, richer Member States of Europe, protectionism is therefore especially dangerous.

But getting the most out of competition requires more than just following a few European directives because one is obliged to. It means making some tough choices and investments so that you are really ready to succeed in the single market.

Using state aid effectively

Competition policy is not about leaving everything up to the market – it is our attempt to help markets work better. There is still an important role for the Government. Indeed, Malta will only be truly succeeding in the single market if the Maltese Government uses State Aid to good effect.

But it is very easy to waste state aid. To reduce that waste we encourage State Aid to be directed towards what we call 'horizontal objectives.' That means aid which will prepare a whole economy, or a whole generation of people to be more productive, instead of handing out money to just one company or industry.

A good example is investment in Research, Development and Innovation. These are the keys to

productivity growth. And at the end of the day, unless your land is full of gold and your sea is full of oil, the only way to make a country richer over the long term is productivity growth.

Here Malta is on the right track – and I can only encourage you to go further. The government is investing heavily in education – that will directly support future R&D&I and means there are more qualified people who can make a better contribution to growing the economy. But currently Malta has a low rating in the EU innovation scoreboard – so it will be important that this is a long-term education investment. But there are good signs. I am aware that the University of Malta has presented the government with a five-year plan to improve the country's innovation score. And with **Dr. Joanna Drake** as Head of Representation (formerly of the University), I am sure she will continue to give a good voice to these issues.

e-Commerce and the software are also Maltese strengths: you're the best in the EU in fact: quite an achievement, one that no other new member state is able to match. With nearly 100 e-gaming companies already licensed to operate from Malta, it seems your strategy is already delivering a profitable new industry.

Having such a focus on high-technology exports is great news for Malta and the rest of the EU. Technological progress has been the main source of productivity improvements in recent decades – so you are protecting yourself and helping others in the EU with this industry.

And as you will know from the high-profile competition cases the Commission has taken on in the technology sector: it can do with more competition! What these successes in technology really show, however, is that there are great opportunities for countries such as Malta, if it thinks clearly about what investments are going to help most with the future.

Facing up to problems

When there is an ailing industry that has a special place in a nation's heart, it can be very hard to make the right choices because so many emotions and livelihoods are involved.

We have seen this recently with the issue of a shipyard in Gdansk, Poland – scene of the rise of the Solidarity movement in the 1980s. And

I am very aware that shipping has long been at the heart of the Maltese economy.

But Malta has also been at the mercy of the shipping industry's fortunes at times. That should not be the case in the 21st century – Malta deserves and more robust economy and the industry should survive on its own two feet.

But I want to offer some words of reassurance. Here on these little islands the Maltese people have created amazing things: from building the world's oldest free-standing structures (Gozo temples), to building high-tech applications and founding lateral thinking (Edward de Bono). Any people who can do these things can also make a shipyard work in the private system. And I am all too aware of the human consequences of this decision, and I am very hopeful that a positive outcome can be achieved from our discussions with the Government, which does not cause undue hardship for any workers made redundant.

There are other issues that are difficult for very different reasons. Professional services show us this point. Professions like notaries, lawyers and architects, are very proud of their traditions and standards, but the way some professions are run makes it too hard to enter them, or offer different products or ensure price competition. In Malta professional services are highly regulated and this increases the chances of such problems. In the Lisbon assessment concerning Malta, competition has been found to be insufficient in the sectors of pharmacists, legal professionals, accountants, architects, and engineers.

The Commission has tried to promote reform in this area since 2002. The Scandinavian countries have the lightest-touch regulation, and usually have excellent services. Another example is that of property conveyancing services. The Commission found that when the Netherlands liberalised notary services in 1999 the fees to customers dropped by 37 per cent.

So the message is: it can be intimidating to take on vested interests such as high status professions. But heavy regulation can be harmful, so you need to consider the options carefully.

Developing a competition culture

Once most of the tough choices are taken – there is still some ongoing work to do to make sure competition pays dividends.

I like to call this 'building a competition culture.' By that I mean making sure competition is not just about rules from Brussels or technical debates by lawyers and economists.

The whole point of competition is to make sure consumers are better off – with lower prices, more choices, and higher quality. So it makes sense that everyone should be able to understand the value of competition and be able to play a role in maintaining competition.

So the first thing we have to do is talk about competition – like I am doing today. Competition doesn't have to be boring – it is something that can be on the TV news and on interesting websites. The Competition Authority of Malta sets an excellent example. If you have not looked at the case studies on the Authority's website: you should! They are first rate examples of how to improve what consumers know about competition.

The Maltese competition authority has, indeed, been instrumental in strengthening the competition culture in Malta and has a major impact on the local market through its decisions, covering a wide range of competition issues.

Most importantly we should be able to debate competition without scaring people. It is when competition policy sounds foreign or complicated that it becomes a dumping ground for other complaints.

In this time of rising prices, it is easy to say 'no more competition' or to expect miracles from competition authorities. It is harder to have an informed debate that results in the majority understanding that competition is even more important in the tough economic times, so that business stays focused AND there is downward pressure on prices.

Active consumers and private enforcement

The best way to achieve a competition culture is of course having active and informed consumers. We are all consumers every day, so informed consumers can be the eyes and ears of the competition culture.

To do that, they need the opportunity to take action themselves when they are victims of a competition problem. By the Commission's calculations – European consumers are victims of about €20 billion of competition problems each year, such as cartels and monopolies. A good way to think of this is to imagine you are being taxed by these companies, just because it suits them. That is not fair, and it must change!

To fix this injustice the Commission proposes a system of private antitrust actions. And we need your support to make this a reality. After three years of research and discussion, we now have a White Paper that proposes specific measures to achieve more effective compensation for citizens and businesses. It also deals with a wide range of legal and procedural obstacles in the existing competition rules in the Member States. We need your voices of support to deliver these changes. With this extra way to tackle competition problems, Maltese consumers will really be able to make the most of competition.

National policies and European policies working in harmony

The retail sector is, of course, big news this year with rising prices. Given that Malta produces only about 20% of its food needs, it's no surprise Maltese people are looking for all possibilities to keep prices down. In certain Member States, one problem is restrictive public regulations hampering market entry or expansion. I very much support the recent steps taken by France to reduce red tape in this sector. If there are barriers to entry into retail markets and unnecessary barriers to expansion – then that can only hurt consumers. The European Commission is limited in what it can do in the supermarket sector - these are essentially national markets. But while we can't control the weather or natural disasters or some other issues that affect food prices, we can certainly make sure there are few other obstacles on the road to low food prices.

In the petrol market, we can do a little more. Earlier this year we were prepared to place significant conditions on a merger proposal between OMV and MOL in central Europe to ensure a monopoly did not emerge in Hungarian petrol and diesel markets. Closer to home, we have

now closed infringement proceedings against Malta concerning restrictions on the import, storage and wholesale of petroleum products, and now the state monopoly has ended. We are also pushing very, very strongly to ensure the EU goes ahead with further liberalisation of energy markets. None of this will be a magic solution to energy prices issues - but we are fighting like hell, let me assure you.

Competition is not easy, but it is useful. We are here to support Malta in any reforms it needs to undertake to make the most of competition. But like anyone wondering about what to do with their future, or facing a difficult choice, that choice cannot be made by others - the choice has to be made by you.

If the Commission can help to improve the understanding of EU citizens about what those choices are and how to make good choices, then we have done our job. And behind the scenes we are determined to keep enforcing the rules of the level playing field, so that you in Malta have all the rights and opportunities that you deserve.

Thank you.

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