



European Commission - Speech [Check Against Delivery]



Speech by EVP Margrethe Vestager at the conference "Protecting competition in a changing world" organised by DG Competition

Brussels, 27 June 2024

Good afternoon,

It is my great pleasure to join you today. I would like to thank Thomas Deisenhofer and his team for organizing this conference.

This event is based on a very timely report.

We are at the end of a mandate that was heavily disrupted. The changes that we have gone through have been profound and swift. They have affected us all. Challenged markets. Changed the geopolitical balance of world. And tested our policies. As a result, today we are confronted with the question of our competitive position in this changed world. We are concerned with the state of the Single Market. With our resilience, and our economic security.

Mr. Letta and Mr. Draghi have –and will soon—share their assessment of these issues. Their contributions were called because those are crucial questions.

I hope that the report that we published earlier this week contributes to establishing a diagnosis. It looks at the state of competition in the EU. And it contributes evidence that will be useful to make future policy.

The debate on the role of competition policy is often framed as an opposition. Does competition enforcement enhance our competitiveness, or does it reduce it? Those of us who are engaged in the marketplace know that there is no competitiveness without competition.

Why?

At a most basic level competition is our best defence against companies that use market power to charge high prices. Price effects are always compelling, and especially important in times of high inflation.

But competition affects more than price. Companies also compete on innovation and quality. This can be harder to observe in the short run, but in the long run it is crucial.

That is competition 101. The report goes further. It studies the relationship between competition, investment and competitiveness. And the findings are telling:

- in 29 countries over the period 2009 to 2019, higher concentration in telecoms markets was **not** associated with higher investments, and if anything the opposite was true;
- according to the EU's top exporting firms, domestic competition improves product quality, it increases efficiency and it gives a boost to export performance. Most of those companies consider that competition does not hinder scale in a way that impedes their competitiveness on export markets.

Those findings challenge many assumptions that are widely used in the public debate. They comport with a vision for competitiveness in which competition matters. Where our interest is in pan-European consolidations that increase scale without destroying competition. For the simple reason that competition in the EU plays a big role in making our industries competitive on the world stage.

The report also finds that effective competition in upstream goods and services markets is essential for the competitiveness of EU exporting firms downstream. EU exporters are part of ecosystems and need competitively priced and high-quality inputs. That is why it is so important to preserve competition in upstream markets such as steel, energy, banking or telecommunications.

And being exposed to vigorous competition 'at home' provides our export champions with the right incentives. Incentives to be more efficient and to innovate, and thereby succeed abroad.

Protecting competition is all the more important that we are facing growing challenges.

The state of competition has been changing over the past 25 years.

Both at industry and market level, we can see an increase in concentration, in markups and in profits. In addition, there has been a decline in business dynamism at the top. In short, market shares are more stable than they used to be. The world's most profitable companies have remained remarkably uncontested in the past 25 years, especially in sectors such as consumer goods or pharmaceuticals. These are all important indicators.

So what is driving this?

There are several factors at play. One factor is winner-takes-all effects. When large first-mover firms tend to reap most of the market's benefits. This trend is supported by the rise of digitalisation, the growing role of certain intangible assets (patents, brands) and globalisation.

For the most efficient companies to gain prominence creates value for consumers and efficiency gains. And that is good. Where we have a concern is when this also means that smaller companies cannot compete. That innovation is **not** diffused. That efficiency gains remain with a **handful** of companies.

It's telling that in a recent interview, the CEO of Spotify noted that if they were launching a music streaming service today, they would have no chance of succeeding. For the large incumbents in many sectors, there are simply too many ways to engage in exclusionary conduct.

This weakening of competition risks having real costs for the EU's economy. The report notes that these developments may already have adverse macro-economic trends in the EU: slower productivity growth, higher wage inequality and possibly slower GDP growth.

These trends are not limited to the EU, but rather are global in nature. They need to be addressed to ensure our prosperity and our resilience in the face of economic shocks.

We are no strangers to market changes.

Competition enforcement has traditionally focused on price effects and exclusionary conduct. And that remains true. But in recent years we have expanded our focus to other areas. Let me give a few examples.

First, in antitrust enforcement, we increasingly examine *exploitative* conduct. We do so because we focus enforcement on the key factors of the markets we look at. In digital or pharmaceutical markets, we focus on the use of competitors' data, the ability of a platform to self-promote, or the extension of patents. By doing so, our enforcement keeps up with the times.

Second, across competition policy, there is a strong focus on protecting competition in *innovation*. In merger control, we have developed a framework to analyse innovation effects. In cartels, we have sanctioned agreements that frustrated innovation. In antitrust, we work against the misuse of patents.

Third, we have taken bold steps to tackle systemic issues. Our work on digital regulation directly addresses many of the core points raised by the report. The Digital Markets Act's approach to regulating gatekeepers echoes the issues that we are discussing today. The DMA strikes a balance. Gatekeepers have provided efficiency gains and benefits for consumers. The DMA allows us to keep these efficiency gains, while still promoting fairness and contestability in an economy that relies on these platforms to compete.

So we learn and adapt in time. And it works: the trends that we are facing are global; and yet, we find that they appear less pronounced in the EU than elsewhere and that without our interventions they would have likely been worse.

It's worth remembering what happened when we first started taking competition cases against some of the largest tech companies. Or when we started to rely on innovation theories of harm in merger cases. There were plenty of voices criticising us, claiming that we were going on a 'crusade'. But we were looking ahead and anticipating impacts that had not yet materialized.

What the report shows is that we had the right instincts. Consumers in Europe have benefitted from enforcement at the EU and at the national level. Many sectors in the EU have seen less significant increases in markup and concentration than elsewhere in the world. There are many reasons for that. Effective competition enforcement has played a role. And so have pro-competitive regulations.

On the other hand, we cannot ignore the fact that we face today higher competition risks than in the past.

If we want to protect competition going forward, we must keep looking ahead. We must explore all new issues as they arise, even when that step by step approach invites criticism.

And the results of this report are a useful guide as to *how* we keep looking ahead. I'm sure other speakers will have more insights, but in reading the report, at least three implications struck me.

The first is that we must stay the course that we have charted. The main problems are reduced contestability, dynamism and innovation. These problems arise across sectors and markets, digital or traditional. So we are called upon to develop novel theories of harm that take into account these market dynamics in a wide range of sectors. We also need to continue arming ourselves with the resources needed to eliminate distortions, while preserving efficiencies.

The second implication is that there is no trade-off between competition and industrial policy. These are complementary. We cannot rely on public interventions alone. We will need more private than public investment to compete with our main global competitors. And there is nothing more effective to boost private investment and innovation than effective competition. Because competition provides the incentives for investments and innovation.

And to be clear, the advancement of competition policy means the advancement of the Single Market. Competition policy is about breaking down barriers and market partitioning. Progress in the Single Market's integration will **both** improve competition **and** provide more opportunities for scale economies and growth.

This relates to a third point. There is a need for a cross-cutting approach to protecting competition within public policy. The promotion of competition should be part and parcel of the effort to improve our resilience and competitiveness. Our like-minded partners in the US and Canada have embraced this approach, pairing industrial policy with strong competition enforcement.

The research presented in the report shows that in the EU we need more, not less competition to boost productivity, competitiveness and growth. My hope is that this report will be part of a broader offensive to make sure that message gets heard.

But before I finish, let me announce another kind of 'competition'.

I know how many excellent students of competition policy there are out there, and I want to give them an opportunity to participate in the debate.

We are inviting all students in the EU to take part in a student challenge. Here's what you have to do: listen to the panels of today's conference. Next, we ask you to choose one panel, pick one theme, and imagine what your contribution to this discussion would be. Ask yourself, "*if I were up on that stage, what would I be saying right now?*" Consider: What are the implications of the report's findings for antitrust and merger control? Are these different for State aid policy? How do changes in the state of competition impact the EU's competitiveness?

We invite students to contribute with no more than 300 words, and submit it to us before the deadline, which is September 20.

The best entries will be invited to return in October to accept the winning prize, where I will have the pleasure of meeting them and discuss their views in more detail. So, in fact, this is really a prize for me, because I get to hear from brilliant student voices, who will bring a fresh perspective to the table.

Thank you.

SPEECH/24/3512