

**OECD Global Forum on Competition, Paris**

**Thursday, 17 February 2005**

**“REGULATING FOR COMPETITION AND GROWTH”**

**NEELIE KROES**

**European Commissioner for Competition**

*Check against delivery*

Deputy Secretary General Hecklinger,  
Mr Jenny,

Ladies and Gentlemen,

### Introduction

It is a great pleasure to address you today. Since its creation in 2001, the Global Forum on Competition has earned a reputation as one of the world's leading competition conferences. It is great to see before me faces from such a wide range of competition authorities from all around the globe. We have a lot to learn from each other, and valuable experiences to share. I look forward to working with all of you over the next five years.

In the last months, we in the European Union have been doing a lot of thinking about how to increase our competitiveness in the coming years. Two weeks ago the European Commission proposed a new partnership for growth and jobs. A partnership focused on the actions which are really key to reinvigorating the economic and social reform process started in Lisbon in 2000. A partnership which mobilises support for change by bringing together stakeholders at all levels – institutions, Member States, businesses, citizens. A partnership to guarantee that the Union's economic development is both sustained and sustainable.

Competition policy is a key driver for delivering an attractive environment for growth and jobs, not just in Europe, but also in every region of the world. Today I would like to give you a taste of the competition policy initiatives we have planned as part of the renewed Lisbon strategy. I also want to describe how these ideas fit into the wider context of concerted global efforts to promote competitive practice.

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. That is the challenge all competition authorities face. And that is why opportunities to share thoughts and experience, such as the one we have in today's Global Forum, are so valuable to all of us.

*The European partnership for growth and jobs in a global perspective*

Growth is of course not an end in itself. The agenda we are promoting in Europe is intended to deliver the sustainable, dynamic growth needed to guarantee the standard of living and social protection which European citizens have come to expect. If we are to meet these fundamental social

objectives, Europe needs to be competitive now and in the future. And the testing ground for competitiveness is the market, which today is often global.

The fact of a global market does not mean that competitiveness is simply 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.

But when we look at the global market place, we see that the European Union has still not reached its full potential for growth and productivity. The Union therefore fails to contribute as much as it could to creating opportunities for innovation, productivity and wealth-creation globally. Europe faces real structural problems: declining growth in productivity, an ageing population and decreasing employment rates. There is no doubt that Europe urgently needs to find solutions to these challenges. Everyone agrees that we need to deliver more growth and more and better jobs. But views do differ as to how this should be done.

On one hand, some people say that Europe should turn its back on free competition on global markets. That the answer lies in “looking after

Europe's own", in giving a few well-selected companies a helping hand to ensure they do well on the global market.

On the other hand, there are those – and I certainly count myself one of them – who do not agree. Who have seen at first hand that it is companies that face strong competition at home (wherever 'home' happens to be!) which become successful on a global scale. And who rightly fear the consequences of protectionist industrial policy: economic isolation, stagnated growth, lost prosperity.

We have no choice but to resist the temptation to turn inwards. This is as essential for the European Union, as it is for the OECD, as it is for the wider circle of friends brought here in the Global Forum.

For our part, the European Commission is committed to an industrial policy built on vigorous competition at home and abroad. That is why we intend to pursue policy goals which will: create and maintain favourable terms to do business in a globalising economy; help develop a level playing field at global level; and sustain the openness of all our markets.

## Competition policy and the partnership for growth and jobs

That is why, under the guidance of President Barroso, the new European Commission's proposals for reinvigorating the Lisbon economic and social policy reform process put so much emphasis on competition policy. Competition policy drives competitiveness which is the motor for sustainable growth and new jobs.

The programme we have proposed is ambitious. It includes actions to complete our internal free market and improve European and national regulation. It opens the way for better infrastructures and more investment in innovation, research and development. It seeks to get more people into better jobs and modernise social protection systems.

I believe that this is the right basis for re-launching Lisbon, with policies that are aimed at enhancing market efficiency and bringing about increased competition. At the heart of the strategy is recognition that it is markets that generate wealth - and as a result of that, jobs - not governments. And as competition is the essential ingredient for well-functioning markets, the strategy includes three important competition policy strands.

## Competition screening and sectoral inquiries

Firstly, there is what I would call ‘competition advocacy’. By which I mean getting out there and actively promoting good competitive practice in the marketplace. Later today and tomorrow you will be discussing how to bring competition to regulated industries, as well as the relationship between competition authorities and sector regulators. In my view, you could not have chosen more pertinent themes!

In the world of competition authorities, prevention is far better than cure. Of course we should be tough when businesses break the rules. But that is not enough. We must also make sure that the rules themselves are the right ones for a fair and competitive business environment.

That is not to say that de-regulation is the solution. But the regulations we do put in place should be smart and well-targeted. Regulatory methods should include tests to ensure that the measures proposed do not bring unintended side-effects which hold back competition. Both the regulatory framework itself and the way it is enforced in practice must create an environment which not only allows cross-border competition to happen, but which induces it to flourish.

There are two actions set out in the Lisbon programme which will help deliver this goal in the European Union. Firstly, we will launch sectoral investigations at European level, to identify and remove remaining barriers to free competition. Such barriers could be regulatory, or they could be the result of private practice or even state subsidy. In a first phase, our investigations will focus on sectors which have a direct impact on overall competitiveness, such as financial services and energy.

Secondly, the European Commission will routinely examine draft European legislation for its potential impact on competitiveness. We want to weed out the unintended side-effects of poor regulation, by-products which at the end of the day harm both business and consumers.

This sort of competitiveness testing can of course be useful in all regulatory environments. So we will encourage EU Member States to make this sort of practice routine in designing their national regulation too.

### *State aid reform*

From an EU perspective possibly the most important way in which competition policy can contribute to competitiveness is through the unique tool of state aid control. By state aid I mean the public subsidies that Member States' governments grant to business. Public subsidies can distort fair and effective competition between companies, and in the long

run prevent market forces from rewarding the most competitive firms, so that overall competitiveness suffers.

This is why European law generally prohibits such subsidies unless there are reasons of general economic development that justify them. The European Commission is charged with supervising the compliance of public subsidies with EU rules. We do so in the spirit of the rallying call from our Heads of State and Government: ‘less and better aid’.

Over the next few years, the Commission intends to review European state aid policy. We will set out a road map in a Communication published later in the spring. The aim is to make sure that public subsidies are really targeted where they can add real value. Intelligently-targeted support can fill the gaps left by genuine market failures and hence empower more undertakings to become active competitors. The new rules should make it easier for Member States to use public funds to an appropriate degree to support measures which will boost innovation, improve access to risk capital, and promote research and development.

## Effective enforcement of modernised EU competition law

The third area in which competition policy can make a real difference to competitiveness and growth is maintaining the pattern of effective enforcement of competition law. It is the responsibility of all competition authorities to ensure that the spoils of free markets are not carved up in private by a handful of businesses.

Since 1 May 2004 Europe has benefited from a revised antitrust regime that creates a whole new framework for tackling private barriers to competition. We have also a mature merger control system, based on sound economics and the same standards as all major global jurisdictions. The European Commission cooperates with a network of 25 national competition authorities to ensure that these rules are properly applied, and that decisions are taken at the most appropriate level.

So we have a good framework already in place in Europe. My intention is to enforce it with persistence and vigour. But I also recognise that even the best competition authority cannot know at first hand every problem in every sector of the market. I therefore want to develop ideas for empowering damaged parties – customers and competitors - to bring their cases forward through the court systems.

I can also see the need for complementary action to underpin zero tolerance of cartels. The OECD has worked hard to increase awareness of the enormous damage cartel activity can bring to the interests of business and consumers alike. You have developed some very interesting ideas on ways to deal with cartels at global level. I can only encourage you to pursue this important work.

Effective leniency policy can be a pivotal tool in rooting out hard core cartels. I intend to explore the idea of a European-wide ‘one-stop-shop’ for leniency applications in cartel cases. Companies would be more willing to expose illegal concerted practices if they could access a once-and-for-all Europe-wide guarantee of immunity from fines.

### *International cooperation*

This leads me to a fourth defining element in my vision for 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 modern competition authorities. If we want to play our full part as promoters of sustainable growth in our national, regional and global markets, we, the competition authorities, need to do more to coordinate our actions and policies. We share a common objective: there should be no safe havens for those who engage in anti-competitive practices.

Active bilateral co-operation between competition authorities is of unquestionable value. It makes for more effective joint responses to anti-competitive practices, amongst other things by avoiding conflicting conclusions in cross-border cases. But with the growing number of competition authorities world-wide, bilateral cooperation is clearly not enough. A global market requires a multilateral response. I cannot stress enough the importance of the OECD and the International Competition Network as fora for promoting progressive convergence of competition policy around the world.

The OECD and the ICN have made substantial progress in developing common standards. And we can already see the fruits of this work: a shared commitment to ban hard core cartels and the development of common enforcement standards and practices for multi-jurisdictional mergers are just two examples. The European Commission is committed to playing its role in the vanguard of these efforts.

Finally, I think that giving agencies from developing and transition economies a role and a voice in multilateral fora is of paramount importance. That is why I am so pleased to have been asked to speak to you today. In our truly global competition community we all have a lot to learn from each others' experiences, successes and failures. The 'older generation' has a duty to support the young competition agencies that are

growing around the world. This is not a mandate for blindly imposing one single model everywhere. More experienced agencies would be ill-advised to shut their eyes to new ways of thinking and doing things. We all have something to bring to the debate, and we all have something to learn from it. The standards we put in place should be built on the best practice drawn from genuinely collective experience. In the long run, this is the only way to create the critical mass of likeminded authorities needed to deliver coherent competition policy for growth on a global scale.

Mr Hecklinger, thank you for inviting me to speak here in the Global Forum.

Ladies and gentlemen, thank you for your attention. I wish you a most fruitful exchange of views on the role of competition policy in regulated sectors.

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