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## **OECD Global Forum on Competition**

### **COMPETITION POLICY IN SMALL ECONOMIES**

**-- DENMARK --**

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## DENMARK

### SPECIAL ASPECTS OF COMPETITION POLICY IN SMALL ECONOMIES

#### **1. Aspects of an economy's "small" size that imply a need for competition policy principles, laws, or institutions that are different from those of other, "larger" economies**

The fact that Denmark is a small economy does not influence the decisions of the Danish Competition Authority. However, the size of the economy will influence the kind of competition cases that it is presented with. The smaller the market, the more often firms will be in a dominant position. The Danish Competition Authority does not support national champions, as it would have an adverse effect on domestic consumers if the necessary remedies were not applied. Instead the Authority is pursuing a more open economy both through concrete action and through advocacy. Lowering barriers to trade, FDI, mobility of workers etc. enhance competition and lead to broader markets that can support larger firms.

#### **2. Special attributes of small economies due to economic factors**

Since there is no formal efficiency defence in the Danish Competition Act, MES arguments only play a limited role when the Authority is making decisions in competition cases. The adverse effects on consumers of say a merger may supersede the positive effects from efficiency gains. In practice however, a merger increasing expected mark-up but ultimately increasing consumer surplus may be allowed. A competition authority is therefore at least as necessary in small economies as in large. The DCA recognises the "Porter" argument.

The Danish Competition Authority does not pay homage to the infant industry argument.

Domestic concentration measures are often useful for describing markets. However, it is important to take imports into consideration e.g. by using import-corrected concentration measures. This applies to both large and small economies.

The extension of the informal sector does not depend on the size of the country. It rather depends on the effort put into - and the administrative capacity for - detecting it and preventing it from growing.

The speed of technological change depends on the capacity of the firms in the economy and government policies, not on the size of the economy. New technologies will be developed more rapidly if the firms in the economy are under competitive pressure that drives them to make new inventions and innovations. Thus easy access to capital, knowledge and skilled workers via open markets and strong enforcement of the competition law will support the development of new technologies.

Imperfect competition in cross-border transport sectors may impede import and export. If the regulation is efficient no such problems should exist. The regulation of cross-border matters is most efficiently dealt with in co-operation between the relevant countries thus the size of the economy should not matter.

**3. Special attributes of small economies due to “political” considerations**

The relatively small business elite in Denmark and the strong tradition for organising workers in workers unions and firms in industrial unions has resulted in quite strong industrial organisations and networks. This formalised co-operation between competing firms of course raises the concern that the risk of collusion (whether it is tacit or not) may be greater than elsewhere. The Danish Competition Authority is very attentive toward possible cases of collusion and has successfully exposed a number of cartels.

Effective competition is the crux of a well-functioning economy. It leads to greater productivity and lower prices to the benefit of both firms and consumers. The cost of maintaining a competition authority will always be minor compared to the gains to society in terms of greater wealth and more alternatives.

**4. Special enforcement issues faced by authorities in small economies**

The Danish Competition Authority has not experienced problems with gathering evidence from multinational firms. This is due to the international co-operation both through the EU and via bilateral agreements with countries outside the EU on the exchange of information.