

# Competition policies in a globalised and digital world

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Competition in a globalised world: the role of public policies

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# How to ensure level playing field and foster competition in a digital and global world ?

- **Digital world:** governed by network effects
  - Direct network effects: in social networks, more users to interact with
  - Indirect network effects: in intermediation platforms, more agents of the « other type » to interact with (buyers/ sellers, advertisers/ users...)
  - This make large platforms more attractive
- This explains why platforms operate on a very large scale : global actors
- Issue for competition policy: efficiency relies on large scale, but this market structure (often close to monopoly) is more prone to abusive behavior

# Issues of the digital world for competition policy

- Two major issues:
  - Abuses of dominant position: for example, the 3 Google cases (Google Shopping, Google Android, Google AdSense), a total fine of 8.2 billion euros
  - « Killer acquisitions » (not only an issue for digital platforms, also in other sectors where R&D is crucial, like biotechnologies):
    - a dominant firm buys potential competitors in order to kill them before they become effective competitors
    - Mergers that can escape any merger control because under the notification threshold

# Solutions regarding abuses of dominant position

- Cases are difficult to investigate
  - Opaque practices, often relying on algorithms
  - Effects of the combination of huge databases : difficult to assess
- Competition authorities should hire specialists of data, algorithms etc
- To prevent too long instruction time, interim measures at the European level could be useful

# Solutions regarding killer acquisitions

- Three solutions are currently discussed
  - Lowering turnover thresholds for notification
    - Experienced in Germany
    - Catches too many mergers without any competitive concern
  - Introducing thresholds in transaction value
    - It makes sense from an economic point of view
    - But this value is subject to manipulation to avoid the control
  - Ex post control
    - Some argue that it increases legal uncertainty
    - But killer acquisitions look like abuses of dominant position, that are already subject to ex post control

# How to ensure level playing field and foster competition in a digital and **global** world ?

- **Global world:** competition between firms that do not play the same game
  - Subsidization in some countries like China
  - Whereas in Europe, state aid control
    - Objective of state aid control : prevent distortions within the single market
- Europe has a defensive trade policy that allows to impose anti-subsidy taxes on imports when a given product proves to be subsidized by a given country (steel from China)
  - But subsidization is often difficult to demonstrate, standard of proof very high
- Solutions
  - European chief enforcer with adequate means, one stop shop, referral ex officio possible
  - Rebuttable presumption of subsidies for some countries

# How to ensure level playing field and foster competition in a digital and **global** world ?

- Other tools:
  - Screening of foreign investment
  - Reciprocity in public procurement
- Consensus difficult to find
  - Screening of foreign investment leaves a great flexibility to member states
  - On reciprocity, divergent points of view between member states