Competition policies in a globalised and digital world

Anne Perrot

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 makes 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 algorythms
  • Effects of the combination of huge databases: difficult to assess

• Competition authorities should hire specialists of data, algorythms 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
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• **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
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• 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