



MINISTÈRE DE L'ÉCONOMIE
ET DES FINANCES

Conférence dans le cadre de la présidence française du G7

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**« La concurrence à l'ère de la mondialisation :
le rôle des politiques publiques »**

Banque de France

Lundi 8 avril 2019

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The future of EU competition policy

Dear friends,

I am delighted to be here today at the *Banque de France* to discuss such an important subject as competition.

I think it is hardly necessary to tell you how important competition is for maintaining what I would call the “economic public order” and for ensuring a level playing field. To put it even more clearly – it is the very heart of a market economy. It is key for citizens, businesses, and innovation. More than that, competition is about freedom – economic and political freedom from the unfair advantages companies can take when they come to dominate a given market. Competition helps ensure that ‘might does not make right’.

I know that some picture France as little aware of the advantages of competition rules and rather prone to dismiss them as a pointless hurdle. This is simply untrue! We are very much in favour of fair competition.

I belong to a Government that has decided to reform our national rail company in order to prepare it for the introduction of competition in this sector.

Just a month ago, for the 10th anniversary of the “Autorité de la concurrence” – 10 years of outstanding work – Prime Minister Edouard Philippe announced a series of actions to enhance competition in areas ranging from car parts to online sales for medication. All these measures are designed to free our citizens from unfair everyday life situations where they pay more than they should.



We also know what our continent owes to EU competition rules: over the years, they've enabled us to dismantle cartels and illicit agreements. And France has been fully supportive of Competition Commissioner Margaret Vestager's action to tackle unfair practices from digital giants.

So France needs no convincing about the advantages of competition and competition rules.

But competition is an ever moving field and rules must adapt to the economic reality. Businesses and economic systems evolve. Whole new sectors appear, like the digital economy. And international dynamics have a profound impact on competition.

My role as decision-maker is to seek the adaptation of the rules to these changing parameters. We must constantly ensure two key principles are upheld. First – that the rules being applied are good enough for market efficiency. Our analytical tools need to be up to date. Second – we must make sure that protecting competition does not prevent us from achieving other valuable goals.

Competition is key to a well-functioning market economy. But it is not the only thing we must have in mind as decision-makers: protecting strategic technologies or our European sovereignty is also a legitimate concern. And competition rules should not prevent us from tackling these concerns.

So when I say that we need to think about modernizing our economic policy toolkit in Europe, including competition rules, I think no one should be surprised or shocked.

Look at what has been happening in the US for over a century. Ever since the Sherman Antitrust Act of 1890, antitrust law has been a much debated topic among academics and regulators. The work of the Chicago Law School in the 1980s has been influential in shifting practices. Today, there is a vivid debate in the US about the practice of using low prices, which are seen traditionally as good for the consumer, dominate multiple markets and reduce competition. We see that that competition is a moving field and we should not be shy or afraid to engage in this debate.



The EU should and must engage in a similar debate. We cannot consider competition rules as something static and set in stone, never to evolve. This would be a huge economic mistake.

“An effective competitive system needs an intelligently designed and *continuously adjusted* legal framework.” There are not my words but Friedrich Hayek’s.

I. To remain efficient, competition rules must evolve to address the challenges of today’s economic reality.

- **First challenge – are we certain that our competition framework is compatible with European industrial ambitions in the world as it is developing now?**

If Europe wants to remain in the technological and industrial race – in other words, if Europe wants to remain economically and politically significant in the world of tomorrow – we must have a new industrial policy. And we must now define it.

One element of this policy is to gather our industrial strengths to create industrial champions with a capacity to compete at the global level. But since Airbus, very few European industrial champions have emerged while Chinese, Indian or American champions are appearing every year.

One of the reasons is that European competition rules are not fit for a fast-changing economy. We need to update our rules, to put them more in tune with the challenges facing us. It is a question of economic realities. The world economy is more brutal and the unexpected is happening at a stunning pace.

Let me take one example – the rail industry. Fifteen years ago, the major companies were North-American and European. In less than two decades, a Chinese public company that did not even exist has become the world number one and won most major public procurement tenders throughout the world in the past few months. We even hear that a European rail company – *West Bahn* in Austria – could be on the verge of buying train wagons from CRRC.



Meanwhile, Europe has blocked the merger between Alstom and Siemens and prevented the creation of a leading European rail champion.

We need to modernise merger guidelines so they better assess the relevant market. EU merger control should also take into greater consideration state-controlled and subsidised non-European competitors from a dynamic perspective. We should not wait for our European companies to be overrun by foreign giants to react – even if they do not pose an immediate threat on the European market.

And we need to introduce more flexibility.

Can we really oppose a merger or impose structural remedies with important economic implications when there are huge uncertainties on the future market developments over the next years? This is why we should have more flexible rules. When needed, remedies could also be taken or alleviated, with respect to the evolution of markets. We should not discard remedies on firms' behaviour as a matter of principles.

There should also be a debate on the opportunity to create a “right of evocation” which would provide the Council with some sort of appeal to override decisions made by the Commission when appropriate – on the basis of a common European interest and in strictly defined situations. Such a right of evocation already exists in several Member States. It would preserve the independence of the Commission's analysis.

Let me be very clear: this is not about relaxing competition enforcement. This is about ensuring that European companies can grow and compete on the global scale, through a more relevant competition framework. I will do my best to put forward detailed ideas with my German counterpart Peter Altmaier so we can continue to strengthen the EU as a global power.

- **Second challenge – the digital economy.**

Digitalisation has brought wonderful innovations and new services, with benefits for all users, both consumers and businesses. But we now face markets which tend towards extreme concentration, with just a small number of large international platforms reaping most of the profits.



It is a competition issue when these companies develop strategies to “lock” their users in their service and ecosystem. Or when they systematically acquire promising firms which could have become competitors.

This situation has led to a wide debate and new ideas have emerged to challenge the current competition framework. I think you all have in mind Lina Khan’s article “Amazon’s Antitrust Paradox”. As she says, what we are seeing is not a known competition problem which has got bigger: it’s a brand new problem. And we need new and maybe radical ideas to tackle it.

Some propose to bring back to life the concept of attempted monopoly – which is mentioned in the Sherman Act but has seldom been used in recent times.

Others are calling for *ex post* controls over potentially very long periods, in order to avoid big actors preventing the emergence of new competitors.

To put an end to predatory acquisitions, some think that the burden of proof should be reversed – that companies should themselves prove that an acquisition is not going to harm competition in the future.

The digital economy is based on the exploitation of data on which platforms have a *de facto* monopoly. This necessarily leads to reduced competition. And many ask for a better sharing of this data.

Given the dominant position of some digital actors – let me remind you that Google’s share in desktop search is above 90 % in Europe – some are pointing to new possibilities of abuse, in particular on the use of data.

Some others adopt a pragmatic approach. They do not want to throw all current rules to the wind but rather insist on the need to better use existing tools and to react more quickly, through protective measures.



This debate is above all a political debate. Which economic model do we want? What kind of relationship do we want between companies and states, between companies and citizens?

And this debate cannot be contained within the borders of France or even Europe. This debate must be held at the global level. That is why we want to use this French G7 presidency to put this debate on the table. We want to discuss these challenges with all our partners. And we want to reach an agreement on an ambitious agenda to adapt competition rules to this new economic reality.

II. But we must go beyond competition rules and use everything we've got in our arsenal to make sure the conditions of fair competition are properly met.

I fully agree with Commissioner Margaret Vestager when she says that we should use all tools to ensure the conditions of fair competition are met between companies, and between economic areas.

Europe is at a crossroads in the world of global competition. A European industrial policy cannot simply be about rewriting merger control rules. Some global competitors play outside the rules. Their success is built on state support, domestic market protection, and unfair practises on intellectual property rights. This is a fact and a situation European companies have to face.

That is why the industrial manifesto that I signed with Peter Altmaier puts forward a series of proposals to tackle competition-distortive behaviors and to ensure European companies are put on an equal footing. Otherwise, there will be no fair competition.

- **State aid**

Today, the largest global firms are American and Chinese. They keep investing massively in research and innovation. What's more, China and the US have no qualm about state aid to finance disruptive innovation: the US consistently fosters disruptive innovation through its DARPA agency endowed with an annual budget of more than 3 billion dollars.



Europe must also be able to provide such public financial support. That's what we have done through the important project of common economic interest (IPCEI) on microelectronics. We have announced a second IPCEI, jointly with Germany, on electric batteries for cars. We hope more will follow. We will need a quick response from the European Commission.

- **Controlling foreign investments**

When you develop a new technology, it doesn't come for free. It requires billions of public and private investment and years of work. We cannot let these technologies be spied upon or simply stolen.

France has reinforced its control over foreign investment in key sectors. Europe has recently voted for rules to also screen such third country investments in key sensitive areas. We must of course remain attractive to new foreign investment. But we also need to be less naïve and to be capable of protecting ourselves when national security or strategic economic activities are at stake.

- **International trade**

We see a substantial rise in distortive trade practices during recent years. The best solution would obviously be to reform the WTO – in order to restore the global level playing field. It is high time that the WTO adopted new trade rules on industrial subsidies, on forced technology transfers, on intellectual property.

But Europe cannot afford to naively wait for this to happen. We must better protect ourselves at EU level. Unfair trade practices threaten our jobs, our industries and consumers. Reciprocity is key: Europe's openness cannot be at the expense of Europeans.

This requires a greater use of existing tools designed to re-establish the level playing field such as anti-dumping and anti-subsidy tools. But we also need to think about new complementary tools for example to correct economic distortions to the playing field on access to public procurement.



- **Fair competition is also about companies paying their fair share of taxes.**

We are determined to put an end to the fiscal privilege enjoyed by some digital companies – which is detrimental to public finances, to other companies and to innovation. And here again, we are determined to take the lead.

That's why we have been campaigning throughout Europe to find an ambitious solution on digital taxation at the EU level. Two years ago, we were alone in this battle. Now all European states share our commitment to have a taxation of digital business models at the OECD level.

But this problem is too urgent for further delay and we are now creating a tax on digital services at the national level, along with several EU member States.

Obviously, the best solution is a global one and our national tax will be dropped as soon as an international solution has been reached. But another thing is obvious: as soon as France mentioned a national tax, the pace at which the OECD is working on a global tax suddenly quickened.

Another aspect of tax fairness is to reach a global agreement on minimal taxation for corporates. This will help us to tackle the aggressive optimisation practices not only of digital companies but of all multinational businesses. That's key for our citizens and for competition.

There are many ways to apprehend competition in a globalised economy, and I have only touched on a few of them. The current challenges to competition are diverse. You will extensively discuss today the challenges raised by fintechs and new business models in the financial sector in terms of competition and financial stability.

Technological change, differences in taxation and social standards or the application of competition law itself are key challenges we need to address.



Whenever possible, these solutions should be found through international cooperation. I stand behind the French President Emmanuel Macron's motto: "All our challenges are global. Multilateralism is the rule of law. It is exchange between peoples, the equality between us all. It is what allows us to address each of the challenges we face".

There can be no fair competition without cooperation. France cannot achieve this alone. But our ambition during the French Presidency of the G7 is to do our utmost to bring our countries together and move towards more cooperation.