Competition policy. 30th report 2000

2001/2130(COS) - 07/05/2001 - Non-legislative basic document

PURPOSE : to present the 30th report on competition policy 2000. CONTENT : competition policy is one of the pillars of the European Commission's action in the economic field. This action is founded on the principle, enshrined in the Treaty, of "an open market economy with free competition". It acknowledges the fundamental role of the market and of competition in guaranteeing consumer welfare, in encouraging the optimum allocation of resources and in granting economic agents the appropriate incentives to pursue productive efficiency, quality, and innovation. However, the principle of an open market economy does not imply an attitude of blind faith or, possibly, indifference towards the operation of market mechanisms; on the contrary, it requires constant vigilance aimed at preserving those mechanisms. This is particularly true in the present context of markets evolving at a fast pace and becoming increasingly integrated at global level. Besides, at a European level, the 2000 Review of the Internal Market Strategy adopted on 3 May gave a fresh impetus to the creation of a regulatory and institutional framework which stimulates innovation, investment and economic efficiency. Promoting competition by improving the business environment is also one of the targets set out in the strategy. Both technological developments and policy initiatives are reshaping the economic environment. Economies are increasingly based on knowledge, as evidenced by the growth of the service sector. Information systems have forced companies to re-evaluate and adapt their commercial relationships with both customers and suppliers and have enabled them to adopt more tightly managed and efficient business practices. Institutional changes have been added to technological developments. With regard to the Commission·s surveillance work in 2000, the total number of new cases was 1 206, comprising 297 antitrust cases (under Articles 81, 82, and 86), 345 merger cases, and 564 state aid cases. Comparable figures for 1999 were a total of 1 249 new cases, comprising 388 antitrust cases, 292 merger cases, and 569 state aid cases. The slight decrease in the overall number of cases was, therefore, due to the reduction in the field of antitrust, while the number of state aid cases remains stable and that of merger cases continues to increase and has doubled in the course of the last three years. The year 2000 was also marked by intense activity aimed at adapting the rules and practice of competition policy to the new environment. This activity has led to the adoption of new block exemption regulations in the field of horizontal agreements, supplemented by a set of guidelines, while further progress was made towards modernising the rules implementing Articles 81 and 82. New guidelines were issued on vertical restraints to supplement the block exemption regulation adopted in December 1999. More particularly, in the area of car distribution, an evaluation report was issued on the present regulation, which will serve as the basis for a review of the car distribution regime in the near future. In the merger field, a simplified procedure for certain categories of cases not giving rise tocompetition concerns, as well as a notice on remedies, were adopted by the Commission. The Commission also introduced three regulations on the application of the de minimis rule to state aid, on aid to small and medium-sized enterprises and on aid to training. Finally, considerable progress was made with Japan in the preparation of a cooperation agreement in the area of competition policy. It is expected that the agreement will be concluded during 2001. Further, a large part of the Commission's enforcement activity in 2000 was focused on recently liberalised markets, where a competitive environment is not yet fully established. Competition has as its corollary the constant reallocation of resources from declining firms or sectors to the emerging and fast growing ones. In the realm of the "new economy" - characterised by its largely intangible nature and by its foundation on knowledge and technology. In a context where markets are tending to become wider and where the critical mass that is necessary to be an active player is tending to increase, the number and complexity of mergers and alliances that fall under the Commission's scrutiny have been constantly growing during the last few years. In 2000 the Commission took 345 decisions, up by 18% on 1999. A number of these cases raised substantive issues, which led to developments in the Commission's analytical tools, in particular in the practical application of economic theory. The Commission is convinced of the need to increase transparency in the field of state aid. Therefore it aims to introduce, to this end, a public register of state aid and a scoreboard. In parallel with the new initiatives, the Commission has focused on the correct application of its decisions, notably concerning the recovery of

illegal aid. The report also presents two considerations on the international dimension of competition policy which are worth noting: 1) the fact that the geographical scope of competition cases is widening means that more commercial transactions are falling within the jurisdiction of the growing number of countries that have adopted competition rules. To analyse these cases properly and avoid conflict, the Commission often has to liaise closely and exchange information with other competition authorities; 2) the Commission has to pay close attention to the competition aspects of the forthcoming enlargement. Enlargement should not create a major imbalance in terms of state aid or competitiveness. Hence the importance of working with the applicant countries and making sure that the same rules apply with equal effectiveness throughout an enlarged Union.