

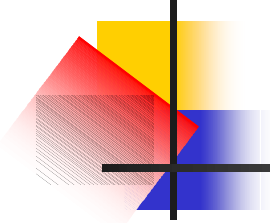
Remarks prepared for the Confrontation Europe European Symposium on
“Towards a European Industrial Dialogue”, February 18th 2005



Competition Policy and Economic Performance

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*The views expressed are those of the author and do not necessarily
reflect those of DG COMP



The importance of product market competition for economic performance....

- n allocates resources efficiently
- n raises productivity
- n develops new products and new markets
 - = > growth and employment
- ∅ ample empirical evidence to support this (industry studies, cross-country studies, case studies)
- ∅ creates incentives all the way up the value chain (labor markets, R&D)



The type of competition is changing...

- n Competition within a market
- n Competition for the market
(tournaments, R&D, economies of scale, top researchers)
- n Insiders vs. outsiders (incumbents vs. entrants)

= > competition policy challenges.....



The importance of competition policy - modern industrial policy –

- n access to markets/finance, risk capital/R&D/technology
- n new firms and new markets
- n concentrate the role of governments on market failures
 - o Coordination Failure
 - o Lack of Financing
 - o Agglomeration
 - o Market/Technology Foreclosure



EU competition policy instruments

(i) Cartels (Art. 81)

(a) inefficient (b) prevent entry

(ii) Treatment of Dominant Firms (Art. 82)
competition on the merits

(iii) Merger Control – Innovation, Efficiencies

sector-specific focus: financial markets, energy
markets, services



State Aid Control – “less and better targeted”

- (+) focus more on market failures
=> R&D, risk capital, SME,
agglomeration

- (-) Distortion of competition

- (+) Other objectives: social cohesions



Competition Policy and Innovation

- n Open Markets/Access to Finance and IP
- n Only tough competition makes true Champions
- n Insiders vs. Outsiders („picking the winners“) => non-discrimination crucial!
- n Market Failures more likely with SMEs (future Champions)



Competition Policy as a Modern Industrial Policy

- n new firms and new markets
- n Concentrate the role of governments on market failures
- n Focus on long-term issues
 - “making Europe attractive for R&D”
- n Competition policy and market integration the right instruments
 - üA European citizens agenda.....