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ECIPE - NEW OCCASIONAL PAPER

Standing Up for Competition: Market Concentration, Regulation, and Europe's Quest for a New Industrial Policy

By Oscar Guinea, Senior Economist and Fredrik Erixon, Director at ECIPE

Brussels, Belgium, 14th March 2019 - The pressure to reform EU competition policy is growing. After the failed merger of Alstom and Siemens, the French and German governments have called for a revamp of competition policy. The ultimate goal is to create European Champions - but this is something that will come at the expense of European citizens and businesses.

'*It is worrying that the two most powerful governments in the EU are rushing to reinvent an industrial policy that failed in the past'* says Oscar Guinea, a co-author of the paper. 'It is equally troubling that they take their cue from a view of current markets, concentration and firm power that is profoundly wrong. Market competition in Europe is on the decline and has been for decades' he adds.

Many services and manufacturing industries are supplied by a handful of firms, and market concentration is on the rise. The railway sector offers a good example of the state of market competition in Europe. Alstom and Siemens are by far the main rail players in Europe and market barriers have been pretty good at preventing non-European firms from entering the European railway market.

As markets are becoming more regulated, Europe cannot ignore the impact of regulation on competition policy. Any proposal designed to weaken competition policy in Europe is destined to solidify markets at the detriment of economic growth, innovation, and prosperity. Any industrial policy that is really fit for the 21st century should have the promotion of competition at its core.

'Competition is not the curse but the cure to Europe's failing competitiveness' stresses Fredrik Erixon, a co-author of the study.

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