

Digital Economy / Global Economy

# Industrial policy in the digital age

El País (Spain)

Alejandro Neut

The French and German governments have published a manifesto advocating substantial industrial policy reform in the EU based on three pillars: to strengthen innovation, ensure reciprocity and review competition laws. This initiative is, in part, a response to the European Commission's veto of the merger between Alstom and Siemens—two major players in the rail sector—and to the growing concern that Europe is not enjoying the overall gains afforded by digital technologies, while countries such as China and the United States are taking advantage of such opportunities.

The first pillar—strengthening innovation—encompasses various aspects, from providing finance for start-ups and other tech companies to focusing policy efforts on sectors identified as being strategically important for a sustainable society, such as artificial intelligence, new battery technologies and cybersecurity.

The second pillar involves seeking increased reciprocity with trading partners, specifically China, in terms of facilitating access to domestic markets and participating in EU contracts through agents from other countries, provided that European companies have equal access rights in those countries.

The third pillar, which is much more contentious than the first two, calls for reformation of competition laws through a review of the guidelines on mergers and acquisitions to enable the creation of "European champions". Policies of this kind are not new and have had some success in the past, South Korea being a recent example of this. Those experiences have also taught us that it is extremely difficult to "pick winners" without creating inefficiencies and generating unintended costs. One of the greatest dangers is that we end up with giants rather than champions, with no incentive for the "chosen ones" to innovate, but rather to gather increasing levels of political power so as to safeguard their privileges. Said privileges range from direct public funding to protection against any kind of competition, to the detriment of consumers and paralysing innovation.

In spite of recent insinuations from some critics, the approach to competition policy in Europe does in fact enable the creation of European champions. It is worth recalling the general acknowledgement that a market can be competitive even when a single supplier is operating in it, provided that the market is "contestable". This occurs when the supplier has potential rivals that could easily participate in the market.

Rather than seeking to elect those who wish to make exceptions to the rules, we must adapt and improve the rules while ensuring a level playing field for all parties at all times. This is not just one of Europe's values; it has also been one of the core aspects of its economic development.

## DISCLAIMER

This document has been prepared by BBVA Research Department. It is provided for information purposes only and expresses data, opinions or estimations regarding the date of issue of the report, prepared by BBVA or obtained from or based on sources we consider to be reliable, and have not been independently verified by BBVA. Therefore, BBVA offers no warranty, either express or implicit, regarding its accuracy, integrity or correctness.

Any estimations this document may contain have been undertaken according to generally accepted methodologies and should be considered as forecasts or projections. Results obtained in the past, either positive or negative, are no guarantee of future performance.

This document and its contents are subject to changes without prior notice depending on variables such as the economic context or market fluctuations. BBVA is not responsible for updating these contents or for giving notice of such changes.

BBVA accepts no liability for any loss, direct or indirect, that may result from the use of this document or its contents.

This document and its contents do not constitute an offer, invitation or solicitation to purchase, divest or enter into any interest in financial assets or instruments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

With regard to investment in financial assets related to economic variables this document may cover, readers should be aware that under no circumstances should they base their investment decisions on the information contained in this document. Those persons or entities offering investment products to these potential investors are legally required to provide the information needed for them to take an appropriate investment decision.

The content of this document is protected by intellectual property laws. Reproduction, transformation, distribution, public communication, making available, extraction, reuse, forwarding or use of any nature by any means or process is prohibited, except in cases where it is legally permitted or expressly authorised by BBVA.

### ENQUIRIES TO:

BBVA Research: Calle Azul, 4 Edificio La Vela, Floors 4 & 5 28050 Madrid, Spain  
Tel. +34 91 374 60 00 y +34 91 537 70 00 / Fax (+34) 91 374 25  
bbvaresearch@bbva.com www.bbvaresearch.com

