Developing international perspectives on digital competition policy

Sean F Ennis, Centre for Competition Policy, University of East Anglia
Amelia Fletcher, Centre for Competition Policy, University of East Anglia

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BACKGROUND

• Digital companies are becoming increasingly important: economically, politically and socially.

• Digital companies have a number of economic features which have implications for competition: they are often more concentrated than traditional markets, network effects make incumbents harder to challenge, many consumers prefer to use a single provider and they are global, with privately-held personal data playing a major role in value creation.

• These factors have led to many competition policy makers conducting reviews of digital competition policy.

METHODOLOGY

• The paper introduces a structure for comparing the recommendations of three major reports on digital competition. Two government reports: ‘Unlocking digital competition’ by the UK’s digital competition expert panel (DCEP) and ‘Competition policy for the digital era’ (CMS) prepared by experts for the European Commission’s DG competition, and a third non-governmental expert report: ‘The Stigler Center report’ prepared for the Stigler Center at the University of Chicago.

• The paper reviews the recommendations of these reports across 5 broad categories: mergers, dominance, data, regulation and international, comparing and contrasting policy recommendations.

KEY FINDINGS

• Broadly, the later a report was commissioned, the stronger were its recommendations.

• All three reports emphasise greater focus/intervention on mergers by large digital platforms and agree non-horizontal mergers need scrutiny. The reports differ in how merger tests should be designed, and in how to address competition issues from mergers.

• All three reports agree dominance issues (market concentration and market power being extended across different markets) are an issue for digital platform markets. However, they recommend different policy responses to these issues.

• All three reports acknowledge concern about the use and control of data and its impact on the competitive environment. There are some differences in policy recommendations however these are relatively limited.

• Both the DCEP report and the Stigler report suggest a specialised regulatory function may be needed to set rules and monitor digital sector regulation. There are some differences in their recommendations of how this specialised regulatory function should operate and the nature of companies and activities that would be covered.
With respect to cross-border co-operation, the DCEP report discusses international cooperation in detail, the CMS report does not mention cooperation outside the European Union and the Stigler report does not mention international co-operation.

**POLICY ISSUES**

- Digital company regulation appears increasingly likely. While there is a broad similarity in focus, the suggested contours of this regulation vary between these reports. The details will matter for the overall impact of policies.
- Given that international co-operation was not discussed in two of the three reports, uncertainty is high about how policy makers will coordinate their actions around digital markets. Coordination is a particularly important area for policy makers, given the global nature of digital markets, and for companies, given their need for legal certainty.
- Potential inconsistencies on the international front could generate a harmful divergence in regulatory and enforcement practices unless methods are found to promote and achieve convergent cross-border approaches.

**SUGGESTED CITATION**


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**ABOUT THE AUTHORS**

Sean Ennis is a Professor of Competition Policy in Norwich Business School and the Director of the Centre for Competition Policy at the University of East Anglia.

Amelia Fletcher is Professor of Competition Policy in Norwich Business School and Deputy Director of the Centre for Competition Policy at the University of East Anglia.