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Europe's Search for Superstar Firms: The Puzzle of European Champions

Europe appears to be on a quest for so-called 'European champions'. These firms have become a symbol and measure for European competitiveness. To date, we know little about which firms would qualify as European champions and how they affect and are affected by the single market. In this article, we develop a conceptual framework for the analysis of European champions in the context of the single market and assess related European as well as national policy (initiatives). In sum, the single market needs a broad policy approach to maintain and increase its competitiveness which depends on the performance of the European economy as a whole.

The search is on for the next European superstar firm. The European single market is one of the biggest and most successful single markets with around 500 million consumers and a GDP of 15.8 billion euro.[1] Nonetheless, European firms experience growing competition from the United States and, increasingly, China. Calls are getting louder to support the build-up of more internationally successful European companies, so-called 'European champions', to address a perceived lack of competitiveness of the single market. However, so far we know little about what European champions are and how they affect and are affected by the European single market.[2]

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1 Eurostat: Gross domestic product at market prices, 2018, available at https://ec.europa.eu/eurostat/web/products-datasets/-/tec00001.

2 In this paper, we use the term European champions exclusively for firms.

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What are European champions?

In ongoing discussions about the competitiveness of the European single market, there is no universally accepted definition of what constitutes European champions. This may cause confusion when moving towards a more detailed inventory of potential European champions and policies and, for instance, trying to distinguish European from national champions.

A working definition

As a working definition for this article, we propose the following:

- *National champions* are firms that belong to an international 'Champions League', meaning they are part of a group of leading firms. However, there should be leeway in the identification of these groups by using industrial, technological or other focus areas.

- *European champions* are national champions whose headquarters and subsidiaries as well as their respective business operations are located in more than one EU Member State and who carry out work of importance to the value chain.

Put differently, we suggest looking at the dispersion of business operations to distinguish European from national champions. The exact terms, such as the number of involved Member States or the distribution of sales across the single market, do not play a role in our analysis.

Table 1
Overview of company rankings (Part 1)

	Forbes Global 2000 – World's Largest Public Companies		FT 1000 – Europe's Fastest Growing Companies		CB Insights – Global Unicorns		GP Bullhound – European Unicorns		Forbes – World's Largest Tech Companies 2018		Forbes – World's Largest Tech Companies 2017	
Indicator	Combination of sales, profits, assets, and market value		Highest percentage growth in revenues between 2013 and 2016		Market value (over $1 billion)		Market value (over $1 billion)		Combination of sales, profits, assets, and market value		Combination of sales, profits, assets, and market value	
Rank	Company	Country	Company	Country	Company	Country	Company	Country	Company	Country	Company	Country
1	ICBC	CHN	Deliveroo	GBR	Toutiao (Bytedance)	CHN	Spotify	SWE	Apple	USA	Apple	USA
2	CHN Construction Bank	CHN	Thermondo	DEU	Uber	USA	Skype	LUX	Samsung	KOR	Samsung	KOR
3	JPMorgan Chase	USA	Traventia Viajes	ESP	Didi Chuxing	CHN	Zalando	DEU	Microsoft	USA	Microsoft	USA
4	Berkshire Hathaway	USA	Alainsa	ESP	WeWork	USA	Markit Group	GBR	Alphabet	USA	Alphabet	USA
5	Agricultural Bank of CHN	CHN	iTravex	ESP	Airbnb	USA	King Digital	SWE	Intel	USA	IBM	USA
6	Bank of America	USA	Carwow	GBR	SpaceX	USA	Rightmove	GBR	IBM	USA	Intel	USA
7	Wells Fargo	USA	Formycon	DEU	Stripe	USA	Supercell	FIN	Facebook	USA	Cisco Systems	USA
8	Apple	USA	Local Fuel	GBR	JUUL Labs	USA	Yandex	NDL / RUS	Tencent Holding	CHN	Oracel	USA
9	Bank of CHN	CHN	Project X Paris	FRA	Epic Games	USA	Pokerstars	IRL	Hon Hai Precision Industry Co.	TWN	Hon Hai Precision Industry Co.	TWN
10	Ping An Insurance Group	CHN	Global Savings Group	DEU	Pinterest	USA	Rocket Internet	DEU	Oracle	USA	Facebook	USA
11	Royal Dutch Shell	NDL	Smarkets	GBR	Bitmain Technologies	CHN	Yoox	ITA	Taiwan Semiconductor Manufacturing Co.	TWN	Taiwan Semiconductor	TWN
12	Toyota Motor	JPN	VLC Travel	FRA	Samumed	USA	Rovio Entertainment	FIN	SAP	DEU	Tencent Holdings	CHN
13	ExxonMobil	USA	Germanimals	DEU	Lyft	USA	Asos	GBR	Broadcom	USA	Qualcomm	USA
14	Samsung Electronics	KOR	SendinBlue	FRA	GrabTaxi	SGP	Just Eat	GBR	SK Hynix	KOR	Hewlett-Packard Enterprise	USA
15	AT&T	USA	Cheevers Howard	GBR	Palantir Technologies	USA	Delivery Hero	DEU	Micron Technology	USA	SAP	DEU
16	Volkswagen Group	DEU	Marfeel Solutions	ESP	Global Switch	GBR	Vkontakte	RUS			HP	USA
17	HSBC Holdings	GBR	Petroprix Energia	ESP	Infor	USA	Vente Privee	FRA			accenture	IRL
18	Verizon Communications	USA	HelloFresh	DEU	DJI Innovations	CHN	HelloFresh	DEU			SK Hynix	KOR
19	BNP Paribas	FRA	STRV	CZE	One97 Communications (operates Paytm)	IND	Criteo	FRA			SK Holdings	KOR
20	Microsoft	USA	Bynder	NDL	Go-Jek	IDN	Mojang	SWE			Tata Consultancy Services	IND

Table 1
Overview of company rankings (Part 2)

	Forbes Global 2000 – World's Largest Public Companies		FT 1000 – Europe's Fastest Growing Companies		CB Insights – Global Unicorns		GP Bullhound – European Unicorns		Forbes – World's Largest Tech Companies 2018		Forbes – World's Largest Tech Companies 2017	
Indicator	Combination of sales, profits, assets, and market value		Highest percentage growth in revenues between 2013 and 2016		Market value (over $1 billion)		Market value (over $1 billion)		Combination of sales, profits, assets, and market value		Combination of sales, profits, assets, and market value	
Rank	Company	Country	Company	Country	Company	Country	Company	Country	Company	Country	Company	Country
21	Chevron	USA	Blue Motor Finance	GBR	Coupang	KOR	Avito.Ru	RUS			Texas Instruments	USA
22	Allianz	DEU	Stratajet	GBR	Coinbase	USA	Adyen	NLD			Baidu	CHN
23	Alphabet	USA	AerFin	GBR	Instacart	USA	Klarna	SWE			Corning	USA
24	Walmart	USA	TransferWise	GBR	Slack Technologies	USA	Skyscanner	GBR			Fujitsu	JPN
25	CHN Mobile	HKG	Actility	FRA	Snapdeal	IND	BlaBlaCar	FRA			Micron Technology	USA
26	Total	FRA	Benhauer	POL	Roivant Sciences	CHE	Fleetmatics Group	IRL				
27	Sinopec	CHN	Eurocio Freetime	ESP	Tokopedia	IDN	Blippar	GBR				
28	UnitedHealth Group	USA	Metacrew Group	DEU	Guazi (Chehaoduo)	CHN	Zoopla	GBR				
29	Daimler	DEU	Shokes	DEU	Tanium	USA	Conduit	GBR				
30	PetroCHN	CHN	Tooploox	POL	Lianjia (Homelink)	CHN	Wonga	GBR				

Notes: EU28 countries are highlighted in green.

Sources: Forbes: Global 2000. The World's Largest Public Companies, May 2018, available at https://www.forbes.com/global2000/list/; Financial Times: FT 1000. Europe's Fastest Growing Companies, May 2017, available at https://ig.ft.com/ft-1000/2018/; CB Insights: The Global Unicorn Club, January 2019, available at https://www.cbinsights.com/research-unicorn-companies; GP Bullhound: European Unicorns 2016, June 2016, see https://www.consultancy.uk/news/12251/an-overview-of-european-unicorns-uk-and-sweden-lead-the-pack; Forbes: The World's Largest Tech Companies 2018, May 2018, available at https://www.forbes.com/sites/kristinstoller/2018/06/06/worlds-largest-tech-companies-2018-global-2000/#10e39ce84de6; Forbes: The World's Largest Tech Companies 2017, April 2017, available at https://www.forbes.com/sites/kristinstoller/2017/05/24/the-worlds-largest-tech-companies-2017-apple-and-samsung-lead-facebook-rises/#6202c467d140.

An extended definition of European champions could focus on selected firm characteristics:

- There may be *sustainable European champions* characterised by their green business strategies.
- There may also be *hidden European champions* which successfully operate their business in niche markets.[3] In contrast to 'classic' European champions, these firms are less likely to show up in standard rankings (e.g. by revenue); nonetheless, they play an important role for the single market and exhibit notable growth potential because of, for instance, their capacity to innovate efficiently.[4]
- Furthermore, the European Policy Strategy Centre (EPSC), the EU Commission's think tank, suggests that "there is nothing that requires a European 'champion' to be a single company. A champion could very well be a loose collaboration, or a consortium of companies that complement each other's services and can therefore provide a more complete offer".[5] This could be rephrased to *European champion consortia*.

3 H. Simon: Hidden Champions des 21. Jahrhunderts: Die Erfolgsstrategien unbekannter Weltmarktführer, Frankfurt, New York 2007, Campus Verlag.

4 C. Rammer, A. Spielkamp: The Distinct Features of Hidden Champions in Germany: A Dynamic Capabilities View, ZEW Discussion Paper No. 19-012, 2019, Centre for European Economic Research.

5 European Political Strategy Centre (EPSC): EU Industrial Policy After Siemens-Alstom: Finding a new balance between openness and protection, 2019, European Commission, p. 16.

Successful firms according to company rankings

Rankings that cover firms worldwide are based on different indicators. Because they regularly use data that is self-reported by registered firms, there are notable differences between them. Common criteria for the identification of successful EU28 firms – not (yet) necessarily European champions – may be their market value or business growth. Table 1 shows an overview of six rankings (including detailed information on the indicators and years). We will only investigate whether ranked firms fulfil the first part of our working definition because identifying European champions would require, in a further step, a more detailed investigation of the business activities of ranked firms which is beyond the scope of this article.

Of the 30 largest public companies,[6] the US has the highest number (13), followed by China (7) and Germany (3) as illustrated in Figure 1. In total, there are seven EU28 firms on this list. Due to the increasing importance of technology, it makes sense to zoom in on the tech industry. Both in 2017 and 2018, the US ranked highest on a list of the 15 largest public tech firms, followed by South Korea and China (see Figure 2).[7]

A measure of the number of rising champions may be the number of so-called 'unicorns': start-up companies with a value of over one billion US dollars. In a worldwide comparison, there is currently only one EU28 firm among the 30 highest valued unicorns.[8] The US leads with 16 firms, followed by China (6) and India/Indonesia (both 2) as illustrated in Figure 3. Nonetheless, there are several European unicorns. In a European comparison, the EU28 'unicorn ranking' by country is as follows: United Kingdom (10), Germany (4) and Sweden (3).[9]

Looking at the highest growth rates of companies across industries in the EU28 from 2013 to 2016, the UK (9), Germany (7) and Spain (6) have the highest number of promising firms (see Figure 4).[10]

6 Forbes: Global 2000. The World's Largest Public Companies, May 2018, available at https://www.forbes.com/global2000/list/.

7 Forbes: The World's Largest Tech Companies 2018, May 2018, available at https://www.forbes.com/sites/kristinstoller/2018/06/06/worlds-largest-tech-companies-2018-global-2000/#10e39ce84de6; Forbes: The World's Largest Tech Companies 2017, April 2017, available at https://www.forbes.com/sites/kristinstoller/2017/05/24/the-worlds-largest-tech-companies-2017-apple-and-samsung-lead-facebook-rises/#6202c467d140.

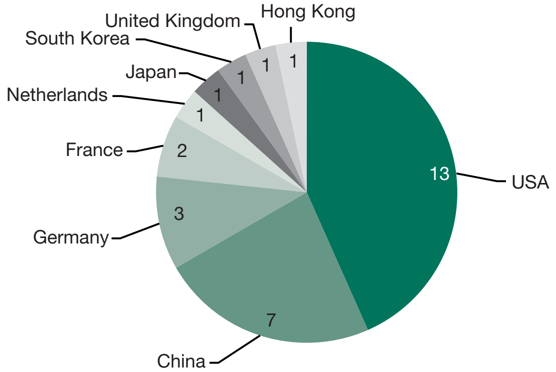
8 CB Insights: The Global Unicorn Club, January 2019, available at https://www.cbinsights.com/research-unicorn-companies.

9 GP Bullhound: European Unicorns 2016, June 2016, see https://www.consultancy.uk/news/12251/an-overview-of-european-unicorns-uk-and-sweden-lead-the-pack.

10 Financial Times: FT 1000. Europe's Fastest Growing Companies, May 2017, available at https://ig.ft.com/ft-1000/2018/.

Figure 1

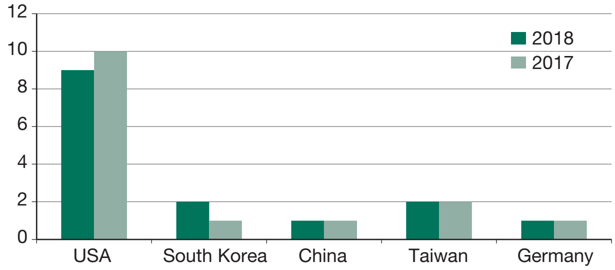
Distribution of the 30 largest public companies (worldwide)



Source: Forbes: Global 2000. The World's Largest Public Companies, May 2018, available at https://www.forbes.com/global2000/list/.

Figure 2

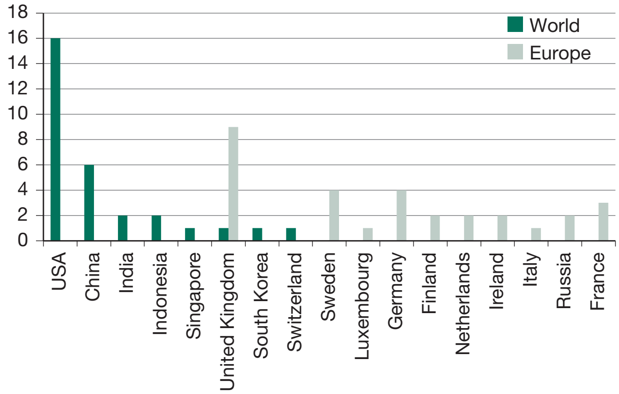
Distribution of the 15 largest public companies in the tech industry (worldwide)



Sources: Forbes: The World's Largest Tech Companies 2018, May 2018, available at https://www.forbes.com/sites/kristinstoller/2018/06/06/worlds-largest-tech-companies-2018-global-2000/#10e39ce84de6; Forbes: The World's Largest Tech Companies 2017, April 2017, available at https://www.forbes.com/sites/kristinstoller/2017/05/24/the-worlds-largest-tech-companies-2017-apple-and-samsung-lead-facebook-rises/#6202c467d140.

Figure 3

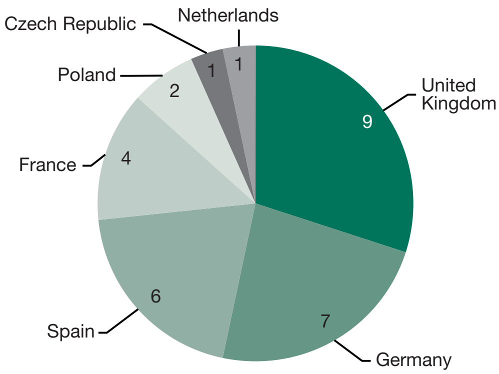
Distribution of unicorns (top 30)



Sources: CB Insights: The Global Unicorn Club, January 2019, available at https://www.cbinsights.com/research-unicorn-companies; GP Bullhound: European Unicorns 2016, June 2016, see https://www.consultancy.uk/news/12251/an-overview-of-european-unicorns-uk-and-sweden-lead-the-pack.

Figure 4

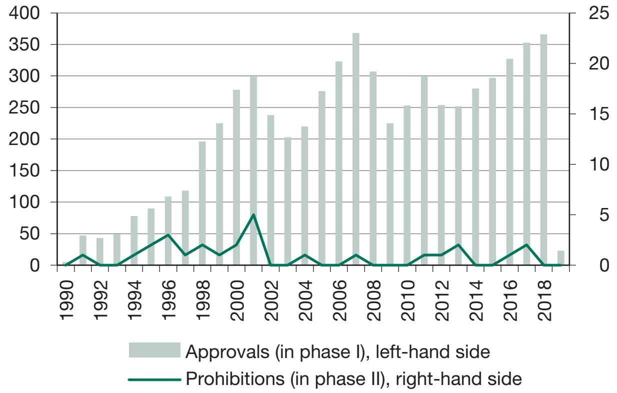
Distribution of the 30 fastest-growing companies (in Europe)



Source: Financial Times: FT 1000. Europe's Fastest Growing Companies, May 2017, available at https://ig.ft.com/ft-1000/2018/.

Figure 5

Overview of review decisions by the EU merger control



Source: European Commission: DG Competition. Merger Statistics, January 2019, available at https://ec.europa.eu/competition/mergers/statistics.pdf.

This data reflects the leading position of the US and the economic potential of China. At the same time, several EU Member States, including the UK and Germany are also home to very successful firms. Although we do not look at the business activities in detail, it is likely that several of these national champions also fulfill the conditions for being European champions. After Brexit, the EU may be left with notably fewer promising firms in the single market if the succesful British firms decide to focus their business activities on the UK.

What prohibits and what fosters the emergence and growth of European champions?

Under the assumption that European champions are an important element of addressing challenges to European competitiveness, it is important to consider what the conditions for the emergence of European champions may be. Particularly after the failed Siemens Alstom merger, the European champions debate focused on competition policy. EU competition law applies as soon as enterprises or their behaviour acquire a dimension that makes them relevant for the EU single market.[11]

A more lenient EU competition policy?

If location and operations in more than one Member State are one of the decisive characteristics of European champions, facilitating transnational mergers appears to be an easy way to foster their creation. This could be done, for example, by giving a greater weight to potential efficiency gains from size during merger control.

In fact, since the 2004 revision of EU merger regulation, the EU Commission is legally bound to take into account efficiency gains from mergers and may decide that these (if sufficiently passed on to consumers) outweigh the negative effects on competition. Contrary to what the Commission's Siemens Alstom decision might have suggested, EU merger control most often results in the clearing – rather than the prohibition – of a merger. More than 90% of all cases are resolved in phase I (preliminary analysis), which generally means clearance without remedies (see Figure 5).[12] Mergers only get to this phase if they cross high turnover thresholds, and thus have to be notified to the Commission. Out of mergers in phase II (in-depth investigation), only 27 were prohibited between 1990 and January 2019 due to concerns that the transaction could restrict competition in the single market. Although the 2004 reform triggered more in depth case-by-

11 EU antitrust law refers to "practices … which have as their object or effect the prevention, restriction or distortion of competition within the internal market" (Art. 101 TFEU) and to "a dominant position within the internal market or in a substantial part of it" (Art. 102 TFEU). The EU Merger Control Regulation applies to concentrations of a "Community dimension" (Art. 1) based on thresholds of combined aggregate turnover at the global and EU level and – in some cases – in at least three EU Member States.

12 According to Commission statistics, this amounted to 6,400 cleared mergers between the entry into force of the European Communities Merger Regulation in 1990 and January 2019, among them Peugeot's takeover of Opel and AB InBev's acquisition of SABMiller. During the same time period, 196 notifications were withdrawn before the Commission could take a final decision on the merger.

case economic analysis,[13] subsequent merger control led to slightly fewer prohibitions.[14]

Further pushing for higher numbers of cleared mergers could increase market concentration, which may lead to a decrease in productivity gains and innovation[15] – not necessarily a desired side-effect if European champions are to strengthen the single market's competitiveness.[16]

A more stringent EU competition policy?

Considering the visible presence and sometimes problematic behaviour of enterprises from third countries in the single market, one may conclude that European competitors could only emerge if more stringent competition law restricted such behaviour.

For instance, some (foreign) enterprises systematically acquire start-ups before these can grow into powerful competitors. These mergers, even though relevant for competition, are usually not examined by competition authorities as start-ups do not generate enough turnover yet to cross the scrutiny threshold. To remedy this, some EU Member States have introduced new thresholds based on the value of the transaction instead of the turnover. At the EU level, lowered or otherwise modified thresholds could give the EU Commission a chance to intervene before a promising fledgling start-up is swallowed by a dinosaur. On the other hand, being bought out by a larger enterprise is often precisely the aim of start-ups who consider it an indication of the success of their product or business model and an opportunity to cash in returns on initial investments. The prospect of such an acquisition may therefore even be a driver of innovation. If one accepts the premise that the overall negative effect on competition may outweigh this positive effect, the challenge remains to modify scrutiny thresholds in a way that ensures effective intervention and provides sufficient legal certainty for market actors.

Becoming a European champion may not be so much about remaining and growing in the market but rather about obtaining market access. Existing and successful digital platforms, particularly from third countries, can make it difficult for new enterprises to enter digitised markets. These markets are characterised by extreme returns to scale, strong network externalities and the important role of data as a parameter of competition. Due to these features, dominant positions can consolidate quickly and are often hard to reverse. Combatting self-preferencing of platforms could resolve this.[17] Moreover, the present definition of dominant enterprises in EU competition law may not catch all critical constellations. Digital platforms create structures that allow them to significantly distort competition even in the absence of a dominant position on one of the connected markets. Subsequently, the question arises whether the rules on the prohibition of the abuse of market power would have to be modified to include enterprises below the current threshold.

In the EU single market, growing into a European champion may imply competing against third country enterprises that profit from subsidies that do not conform with fair competition. This is why, in the debate on European champions, the call for a (more) level playing field is a recurring theme.[18] A level playing field means that all market actors play by the same rules, i.e. comply with a common legal and economic framework. Outside the EU, this also raises the general issue of reciprocity or re-balancing: If third country firms are allowed to move freely in the EU single market, EU enterprises should have the same opportunities to do business in third countries. Could EU competition law help here?

As to a more level playing field for fair competition within the single market, EU state aid law only addresses non-market conforming support of enterprises by EU Member States. It cannot be extended to third countries because they are not signatories to the Treaty on the Functioning of the EU (TFEU). It is difficult to take 'unfair advantages' for enterprises from third countries into account in EU merger control due to an (often) scarce factual basis concerning, e.g. firms' finan-

13 See P. Affeldt, T. Duso, F. Szücs: 25 Years of European Merger Control, DIW Discussion Paper No. 1797, 2019, DIW Berlin (the German Institute for Economic Research).

14 P. Affeldt: EU Merger Policy Predictability Using Random Forests, DIW Discussion Paper No. 1800, 2019, Deutsches Institut für Wirtschaftsforschung, p. 33. This is remarkable because the reform also introduced a new test for market power which abolished a dominant position as a prerequisite for the prohibition of horizontal mergers, instead focusing on a "significant impediment of effective competition" and thus, facilitating the prohibition of mergers.

15 J. Haucap, A. Rasch, J. Stiebale: How mergers affect innovation: Theory and evidence, in: International Journal of Industrial Organization, Vol. 63, No. C, 2019, pp. 283-325 (for Europe: after mergers in the pharmaceutical industry, patenting and R&D activities decline in the merged entity and rival firms); O. Guinea, F. Erixon: Standing up for Competition: Market Concentration, Regulation, and Europe's Quest for a New Industrial Policy, ECIPE Occasional Paper No. 01/2019, 2019, European Centre for International Political Economy.

16 See also J. Zettelmeyer: The Return of Economic Nationalism in Germany, PIIE Policy Brief No. 19-4, 2019, Peterson Institute for International Economics, pp. 1-17, p. 9.

17 The term 'self-preferencing' describes a situation in which an enterprise provides a platform that also offers its own products and creates rules for platform usage that grant its own products an advantage over products offered by others.

18 See part 'What policy ideas are on the table?' below. This is also a global issue, as evidenced by IMF Managing Director Christine Lagarde's speech at the 2019 IMF Spring Meeting, in which she identifies "cross-border efforts to provide a more level playing field" as one of three priority areas for action. See C. Lagarde: A Delicate Moment for the Global Economy: Three Priority Areas for Action, Speech at U.S. Chamber of Commerce, Washington DC, 2 April 2019, available at https://www.imf.org/en/News/Articles/2019/03/29/sp040219-a-delicate-moment-for-the-global-economy.

cial relations with their state of origin. In April 2019, an EU Regulation entered into force that extends the screening of foreign direct investment in the EU to, inter alia, critical infrastructures and critical technologies.[19] Whether an investor is controlled or financed by a third country is now explicitly an aspect to be considered in the screening of foreign direct investments on the grounds of public order and security.[20] Furthermore, the EU's anti-dumping and anti-subsidy instruments have recently been updated to more adequately address the level playing field issue.[21]

These are all trade policy instruments. Competition law alone will not be able to establish a more level playing field, neither in the single market nor globally. (Bilateral) trade agreements are a more adequate forum to improve market access and operating conditions for potential European champions in third countries. Where this is politically unfeasible, the Regulation for an International Public Procurement Instrument (IPI) proposed by the EU Commission may help indirectly.[22] IPI would allow the Commission to investigate alleged discrimination against EU enterprises in third country public procurement markets and consult with the concerned third country to resolve discriminatory practices. As a last resort, the Commission could impose a price penalty on tenders originating in the third country. The proposal has been deadlocked for years but new momentum might emerge as the EU updates its industrial policy strategy.

Going beyond the limits of competition law

When gauging the adequacy of EU competition law to foster European champions, some general points need to be kept in mind. Protocol No. 27 on the single market and competition annexed to the TFEU stipulates the goal to establish and protect "a system ensuring that competition is not distorted". This means that EU competition policy is aimed at preserving competition as an autonomous mechanism of coordination in the single market and at protecting this competition against the restrictive behaviour of market actors.[23] Competition law is meant to safeguard the effectiveness of the EU fundamental freedoms by impeding private enterprises from using their market power to erect new barriers.[24]

Also, EU law has to comply with the general principle of non-discrimination. This means that EU competition law must not favour EU-based enterprises solely on grounds of their establishment in the EU. Conversely, disadvantaging enterprises on grounds of their origin would be incompatible with this principle. Thus, a weakening of merger control would facilitate mergers for EU-based enterprises as well as third country enterprises and their subsidiaries, even if they are located and produce outside the EU, as long as their merger reaches the turnover thresholds to acquire a 'community dimension'.[25]

Finally, while competition policy seems an obvious choice to address competitiveness, there are several other areas that shape the business environment on a national and European level. Among others, economic policy needs to contribute to an environment in which start-ups as well as existing firms can successfully introduce their ideas to the market and run their businesses. Tax policy should, for instance, create an environment that facilitates dynamic business growth and fosters innovation. Labour and social policies could play a role by lowering entry and mobility barriers within the labour market, for example. Digital policies contribute by considering the impact of digitisation across policy areas, e.g. by setting common EU standards for infrastructure and regulation. Overall, it is important to note that policy should focus on addressing market or system failures and that companies remain responsible for their own businesses. Before deciding on policy measures, it is thus necessary to define the policy target. When policies fall short of their targets in certain areas (i.e. lack of access to capital or labour), barriers to the growth and survival of firms persist and need to be addressed. Zettelmeyer provides a list of aspects for such a policy evaluation, e.g. the coordination of support activities between the national and European level or the scale of R&D support.[26]

What policy ideas are on the table?

Recently, there has been more talk in the political arena about the potential need for European champions, which appears to be linked to the development of an industrial strategy to ensure the global competitiveness of European industry.

19 See European Parliament and the Council: Regulation (EU) 2019/452 of the European Parliament and the Council of 19 March establishing a framework for the screening of foreign direct investments into the Union, Official Journal of the European Union, L 791, 21 March 2019, pp. 1-14.

20 Ibid.

21 C. Hook: Was lange währt, wird endlich gut? Die neuen Änderungsverordnungen im Bereich der handelspolitischen Schutzinstrumente, in: Europäische Zeitschrift für Wirtschaftsrecht (EuZW), No. 5, 2019, pp. 188-193.

22 See European Commission: Amended proposal for a Regulation of the European Parliament and of the Council on the access of third-country goods and services to the Union's internal market in public procurement and procedures supporting negotiations on access of Union goods and services to the public procurement markets of third countries, COM(2016) 34 final, Brussels 29.1.2016.

23 D.-E. Khan, C.-K. Suh (ed.): EUV/AEUV: Kommentar, Munich 2017, C.H. Beck, Art. 101 AEUV, para. 1.

24 P. Craig, G. de Búrca: EU Law: Text, Cases, and Materials, Oxford 2015, Oxford University Press.

25 The thresholds refer to the combined world-wide turnover and the combined intra-EU turnover of the merging parties. A Community dimension is excluded if the intra-EU turnover of one of the parties is too concentrated in one EU Member State only.

26 J. Zettelmeyer, op. cit.

Initiatives by EU Member States

A heterogeneous picture emerges among EU Member States' positions. A note from the trio Council presidency on a holistic approach to the EU's agenda for linking industrial and single market policies shows that Member States see a need for a new industrial policy strategy.[27] A common view also seems to be emerging on future priorities in this area. Member States generally stress the importance of innovation policy, the development of disruptive technologies, artificial intelligence and the platform economy.

Views diverge, however, on the most effective means to improve European competitiveness. In December 2018, 18 Member States who meet informally each year as the 'Friends of Industry' called for, inter alia, "a European industrial policy that encourages the creation of major economic players capable of facing global competition on equal terms while protecting European consumers".[28] One of the suggested measures is to explore adjustments to EU competition policy "so that it allows European players of international scale to emerge".[29] However, not all Member States advocate prioritising the creation of European champions. Some take a broader approach, stressing that the development of a well-functioning single market adapted to the digital age and the creation of a competitive business environment are key.[30]

In February 2019, the French and German Ministers for Economic Affairs published the 'Franco-German Manifesto for a European Industrial Policy fit for the 21st Century'.[31] According to the authors, the manifesto should not be understood as a blueprint for a European industrial policy. Overall, they voice an interest in strong European players that can compete globally. They seem to agree that the creation of European champion consortia in industrial manufacturing can contribute to the competitiveness of European industry: both support the formation of transnational consortia in the field of key technologies. It remains unclear whether this is a first step towards the formation of European champions. However, both Ministers agree that, in light of the recent global developments, a review of strategies is necessary to secure or regain the economic and technological leadership position of the EU. Ministers Peter Altmaier and Bruno Le Maire also propose fundamental adjustments to EU competition law. The manifesto can be understood as a stimulus for a more concrete debate on the competitiveness of European industry. In any case, it will be up to the next European Commission to decide how to proceed.

As countries such as China already pursue a strategic industrial policy and promote investment in key technologies (e.g. 'Made in China 2025'), it is understandable that some Member States already provide impetus for the industrial policy debate at the EU level. All actors agree that the debate about European champions cannot be avoided nor should it be circumvented. Still, the proposals have yet to be linked to an empirically grounded definition of European champions, which would help to better evaluate opportunities and challenges.

Reacting to national initiatives in Germany, Zettelmeyer points out that single European champions are not necessary to successfully compete for very large projects because this can also be done by a consortia of companies.[32] He further argues that the potential for economies of scale is unlikely to justify the promotion of such champions. From his perspective, European champions may have unintended consequences that reduce welfare because competition is sacrificed for other goals. The Federation of German Industries (BDI) also takes a critical view of government intervention although they are aware of large firms' advantages when competing for projects in third countries. The BDI points out that regardless of the type of champions, 'hidden' or 'obvious', companies are created through customer-oriented innovation and investment instead of state intervention.[33]

Dohse et al. praise Germany's past restrained industrial policy and oppose the newly suggested 'picking-the-winner'

27 Council of the European Union: A holistic approach to EU agenda – interlinking Industrial and Single Market policies including services, Note from the Trio Presidency to the High Level Working Group on Competitiveness and Growth, No. 7992/19, 29 March 2019.

28 Friends of Industry: Joint statement by France, Austria, Croatia, the Czech Republic, Estonia, Finland, Germany, Greece, Hungary, Italy, Latvia, Luxembourg, Malta, the Netherlands, Poland, Romania, Slovakia, Spain, 6th Ministerial Meeting, Paris, 18 December 2018, available at https://www.bmwi.de/Redaktion/DE/Downloads/F/friends-of-industry-6th-ministerial-meeting-declaration.pdf?__blob=publicationFile&v=6.

29 Ibid.

30 See the joint letter, entitled 'Preparing the March European Council. The future development of the Single Market and European digital policy in view of preparation for the next Strategic Agenda', to President of the European Council Donald Tusk, 26 February 2019, signed by Prime Ministers of 17 nations, available at https://vnk.fi/documents/10616/334517/EU-johtajien+kirje+sis%C3%A4markkinoiden+kehitt%C3%A4misest%C3%A4/862ebe6c-cbee-2fcc-6d66-3ad7c3d10e8c/EU-johtajien+kirje+sis%C3%A4markkinoiden+kehitt%C3%A4misest%C3%A4.pdf/EU-johtajien+kirje+sis%C3%A4markkinoiden+kehitt%C3%A4misest%C3%A4.pdf.

31 German Federal Ministry for Economic Affairs and Energy, French Ministry for the Economy and Finance: A Franco-German Manifesto for a European industrial policy fit for the 21st Century, available at https://www.bmwi.de/Redaktion/DE/Downloads/F/franco-german-manifesto-for-a-european-industrial-policy.pdf%3F__blob%3DpublicationFile%26v%3D2.

32 J. Zettelmeyer, op. cit.

33 Bundesverband der Deutschen Industrie (BDI): Deutsche Industriepolitik. Zum Entwurf der Nationalen Industriestrategie 2030, 6 May 2019, available at https://bdi.eu/publikation/news/deutsche-industriepolitik/.

strategy or protection of existing national champions.[34] They state that the performance of an economic model does not depend on whether technological excellence is achieved in selected, politically-defined areas. They further point out that market resilience is potentially higher when there are 1,300 hidden champions instead of three superstar firms.In the same vein, Gutiérrez and Philippon find that in the US, the benefits of large superstar firms are much smaller than common wisdom dictates.[35] In an open letter, a number of European competition economists voice concerns about a relaxation of EU competition policy which instead should "respond to efficiency considerations and the protection of the competitive process".[36]

Policy discussions at EU level

In 2017, the EU Commission published a Communication which can be seen as a contribution to a new European Industrial Policy Strategy.[37] The subsequent debate has shown that a long-term orientation of European industrial policy requires targets and priorities as signposts for 2030 and beyond.[38] The call for a substantial industrial policy strategy has since been made in Council conclusions under each Council presidency.[39] It is therefore no surprise that the European Council has also called on the Commission to present a long-term vision for the future of European industry.

The EU-level policy debate on potential European champions has just started. An early contribution by the EPSC strongly criticises the idea that EU competition law enforcement should be relaxed to foster the emergence of European champions.[40] Their definition points to the extant possibility for enterprises from different EU Member States to transnationally coordinate highly innovative individual projects under a common approach as an 'Important Project of Common European Interest' (IPCEI). IPCEIs enjoy privileges under EU state aid law but conditions for obtaining IPCEI status are complex. The EPSC hints that this needs to be remedied, which may in turn contribute to making the EU single market internationally more competitive.[41] Overall, the EPSC makes a strong case for looking beyond the Siemens Alstom debate and developing an integrated approach which addresses both level playing field issues and the international competitiveness of the EU single market across different policy fields. The EPSC underlines that any relaxation of competition law could result in less power to prohibit non-competitive transactions. Rather, the challenges arising from digitised markets, where it is more difficult for EU enterprises to catch up, increase the likelihood that competition law would become more stringent in order to combat market concentrations.[42]

Therefore, the final report by three Commission Special Advisers on 'Competition policy for the digital era' is another relevant part of the European champions puzzle. The report underlines that the specific structures of digitised markets have changed the cost of non-intervention such that, when in doubt, competition authorities should intervene in favour of competition.[43] From platforms' function as regulators of their own 'ecosystem', the Special Advisers deduce that dominant platforms have a responsibility to ensure that their rules do not hamper free, undistorted and lively competition.[44] Some platforms could thus be obligated to ensure interoperability and access to data. The report suggests an incremental adaptation of concepts and methods of EU competition law with regulation playing only a complementary role.

Shortly after the report's publication, European Commissioner for Competition Margrethe Vestager called for more concrete and radical measures vis-à-vis platforms.[45] To prevent self-preferencing, Vestager advocates explicitly prohibiting platforms from offering their own products on their platform and proposes an obligation for dominant platforms to grant third parties access to data. The Commissioner strongly opposes the idea of introducing an EU ministerial veto on merger decisions or a mandatory focus on worldwide markets when assessing whether a potential merger

34 D. Dohse, G. Felbermayr, H. Görg, S. Kooths, W. Lechthaler, C. Trebesch: Zeit für eine neue Industriepolitik?, Positionspapier des Kieler Instituts für Weltwirtschaft (IfW) zum Entwurf einer Nationalen Industriestrategie 2030, Kiel Policy Brief No. 122, Kiel Institute for the World Economy (ifW), 2019, pp. 1-15.

35 G. Gutiérrez, T. Philippon: Fading Stars, NBER Working Paper No. 25529, 2019, National Bureau of Economic Research.

36 Competition Policy International: Open letter: More, not less, competition is needed in Europe, 2019, available at https://www.competitionpolicyinternational.com/wp-content/uploads/2019/02/Open-letter-on-European-champions-with-signatures.pdf.

37 European Commission: Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank: Investing in a smart, innovative and sustainable Industry. A renewed EU Industrial Policy Strategy, COM(2017) 479 final, Brussels 13 September 2017.

38 Council of the European Union: Outcome of proceedings: EU industrial strategy for the future – Council conclusions on "A renewed EU Industrial Policy Strategy" (adopted on 30/11/2017), No. 15223/17, Brussels, 30 November 2017, available at http://data.consilium.europa.eu/doc/document/ST-15223-2017-INIT/en/pdf.

39 Most recently in Council of the European Union: An EU Industrial Policy Strategy: a Vision for 2030, Council conclusions (adopted on 27 May 2019), available at https://www.consilium.europa.eu/media/39507/st09706-en19.pdf.

40 European Political Strategy Centre, op. cit.

41 Ibid., p. 17.

42 Ibid., p. 5.

43 J. Crémer, Y.-A. de Montjoye, H. Schweitzer: Competition Policy for the digital era: Final report, European Commission, Luxembourg 2019, Publications Office of the European Union.

44 Ibid., p. 60.

45 W. Mussler, H. Kafsack: Vestager greift Google & Co. scharf an, in: Frankfurter Allgemeine Zeitung, 14 April 2019, available at https://www.faz.net/aktuell/wirtschaft/mehr-wirtschaft/eu-wettbewerbskommissarin-greift-google-co-scharf-an-16140786.html.

distorts competition on the EU single market. In her opinion, such features would risk politicising EU merger control and would ultimately work to the detriment of competition because they shift the focus away from empirical economic analysis. In contrast to national level actors, EU level actors currently do not propose relaxing or fundamentally reforming EU competition law to foster European champions – rather the opposite, but to the same end.

Conclusions for the design of policies to foster European competitiveness

The call for European champions actually seems to be the quest for a boost in competitiveness for the single market. It is important to remember that the single market has been a hallmark of the success of European integration.[46] Nonetheless, staying ahead of international competition is an ever greater challenge for EU firms. Although the existence of successful firms is crucial, addressing a lack of competitiveness with a single policy appears to miss the mark for two reasons:

First, when designing policies meant to help the emergence and growth of successful firms, it is best to use a broad definition and to take a holistic approach. According to our definition of (European) champions, there are several high-performing businesses in the single market but the term champion does not need to be restricted to large companies and can also cover smaller enterprises that reach leadership in their own market (e.g. hidden champions). It should further include firms in their start-up, growth or stabilisation stage and consider all industries and sectors.

Second, competitiveness does not singularly depend on the existence of European champions. Neither does EU competition law hold the only answer to the European champions puzzle. Focusing exclusively on this policy field may lead to missed chances for modifications of other policies which may be (better) suited to grow competitive EU firms. Ideally, the single market can serve as an incubator for such firms. Consumers pay a price when European champions become monopolists in the European single market, just as they pay a price when monopolists from third countries dominate the European single market. Put differently, it is key to reconcile the aspiration to promote globally competitive EU firms with the goal of maintaining vibrant and open competition in the single market. This requires a diverse set of policy responses and weighing several trade-offs as becomes visible across the different policy initiatives that have been brought forward.

46 E. Bublitz: The European Single Market at 25, in: Intereconomics, Vol. 53, No. 6, 2018, pp. 337-342, available at https://archive.intereconomics.eu/year/2018/6/the-european-single-market-at-25/.