

# Margrethe Vestager

## Vice-President: A Europe fit for the digital age

Hearing due to be held on Tuesday 8 October at 14.30 hours.

European Parliament committees responsible: Industry, Research and Energy (ITRE); Internal Market and Consumer Protection (IMCO); and Economic and Monetary Affairs (ECON).



Margrethe Vestager, born in 1968, is currently European Commissioner for Competition in the Juncker Commission, and has presided over a mandate marked by many high-profile antitrust and merger cases, not least in the digital, energy, telecom and transport sectors. She was one of the ALDE party's list of lead candidates in the 2019 European elections, and participated in the major campaign debates. She holds a Master's degree in economics from the University of Copenhagen. In 1991 she spent time working unpaid for the Danish Social Liberal Party at the European Parliament. In 1993, Vestager joined the Danish Ministry of Finance as a head of section, and then worked as a special consultant and Head of Secretariat at the Agency for Financial Management and Administrative Affairs.

Vestager was appointed to the posts of Minister for Education and Minister for Ecclesiastical Affairs in 1998. In 2001, she was elected to the Danish Parliament where she represented the Danish Social Liberal Party until 2014. In 2011, Vestager became political leader of the party and chair of its parliamentary group, and took up the posts of Minister for Economic Affairs and the Interior, and Deputy Prime Minister. She was president-in-office of the Ecofin Council in 2012. She is the author of numerous articles and lectures on political and institutional subjects, including the EU. In 2017 she received an honorary doctorate from KU Leuven.

*This is one of a set of Briefings designed to give Members of the European Parliament an overview of major issues of interest in the context of the hearings of the Commissioners-designate. The full set of Briefings can be found at: [https://epthinktank.eu/commissioner\\_hearings\\_2019](https://epthinktank.eu/commissioner_hearings_2019)*

## Background

Margrethe Vestager has been nominated to take up the role of Executive Vice-President for a **Europe fit for the digital age**. This will mean acting on behalf of the Commission President and helping her exercise her rights and prerogatives. The Executive Vice-President will have a dual role. The first will involve coordinating and steering work across the Commission at the helm of the thematic Commissioners' Group on a 'Europe fit for the digital age', one of the six main ambitions of the President's [political guidelines](#). She will be supported in this by the secretariat-general. The second role is to oversee **competition policy**, with support from the Commission's directorate-general for competition (DG COMP).

[Digital transformation](#) continues to bring unprecedented [changes](#) to every aspect of the economy and society, bringing both new opportunities and new risks. The main task of the Executive Vice-President in this respect will be to ensure that Europe makes the most of the enormous potential of the digital age. This part of the portfolio contains initiatives aimed at strengthening EU's industry and innovation capacity, as well as its technological leadership and strategic autonomy. This will not be possible without a well-functioning single market and its [cornerstone](#) – a strong and effective competition policy. The Executive Vice-President is therefore also tasked with ensuring that competition policy and rules are fit for the modern economy and actively enforced. They should also help to make European industry stronger and more competitive.

## Priorities and challenges

### Public opinion

There is growing awareness among EU citizens of the important role digital technologies play in daily life. Two thirds of those responding to a 2017 [Eurobarometer](#) survey felt these technologies have a positive impact on society, the economy and their own lives. However, new technologies also bring new challenges, on which a majority of respondents felt that the EU, Member States' authorities and companies need to take action. A 2018 [survey](#), meanwhile, found that 54 % of EU citizens expect the EU to step up its industrial policy action.

Fostering digital transformation is higher than ever on the EU's political agenda, and has been identified as a priority for unlocking future growth in Europe. The Commission's 2017 [white paper](#) on the future of Europe underlined the challenges posed by the increased use of technology and automation, which will affect all jobs and industries. The Commission therefore [identified](#) further measures in areas such as the data economy, online platforms, product liability and cybersecurity.

The emergence of digital technologies, including the internet of things (IoT), robotics and artificial intelligence (AI), has shed doubt on the suitability of the current product safety and liability rules. The Commission has already [announced](#) a guidance document on the interpretation of the Product Liability Directive for 2019, to assess whether certain aspects of the directive should be updated to ensure legal clarity for users. The issue of stimulating the scale-up of European digital platforms, which are [lagging](#) behind the US and Chinese equivalents, is also likely to come up. [Finland's EU presidency programme](#), meanwhile, highlights importance of advancing the digital transformation of private and public sectors, in areas such as health and mobility. The EU may also need to consider stronger measures to promote the development of technology and industrial capabilities in cybersecurity and to protect [5G networks](#) from identified security risks at national and Union level. There is also an urgent need to address the insufficient digital skills and shortages of competent workers that are preventing the digital single market from reaching its full potential. Importantly, the use of information and communications technology (ICT) by businesses has grown rather slowly in the EU, and the uptake of advanced e-business applications is low. There is therefore a need to boost the digitalisation of industry, with a heightened focus on traditional sectors and small and medium-sized enterprises (SMEs), which are lagging behind in their digital transformation. Europe is lacking in global digital champions; so far these have come mainly from the US and Asia.

The [Commission](#) has also highlighted the need to boost investment in key European digital capacities and increase digital dimension of the single market, based on data, privacy and consumer protection, which would lead to the creation of a values-based data economy. There are also calls for a fair and modern taxation policy, suited to the challenges of the digital era and ensuring a level-playing field.

The 2019-2024 [strategic agenda](#) agreed by the European Council stresses the need to ensure that the EU is digitally sovereign and its policies encompass Europe's societal values and promote inclusiveness. To this end, the Council sees the need to address all aspects of the digital revolution and [AI](#): infrastructure, connectivity, services, data, regulation and investment, together with an emphasis on the development of the digital services economy.

The [Bruegel](#) think-tank has recommended a strong push for public funding for AI and robotics, and the promotion of private funding for digital start-ups and scale-ups. It has also argued that the Commissioner responsible for digital issues should examine 'how digital technologies can help the EU reach its climate and environment goals, for example through new approaches to transport'.

The [CEPS](#) think-tank has recommended that the digital portfolio focus on completing the digital single market and on digitising industry. It has stated that 'Europe could position itself as a leader in responsible AI, as well as in specific industrial settings, such as B2B industry platforms, and new spaces in automotive (e.g. automated vehicles), as well as in healthcare, energy, and public services sectors'. It has also argued that creating homogeneous, consistent and efficient policy for data-driven innovation requires clarifications and interpretations of various crossroads between the General Data Protection Regulation, the free flow of data, copyright/text and data mining, e-privacy and cybersecurity. The EU should also push for digitised public administrations and boost its cyber defence capabilities.

## Main projects

The most urgent task appears to be to coordinate work on a European approach to AI, including the human and ethical implications, to be completed within first 100 days, according to the [mission letter](#) to the Commissioner-designate. This task also includes examining the ways to use and share non-personalised big data in order to develop new profitable technologies and business models. To that end, in her political guidance the President-elect has pledged to prioritise investment in AI, both through the multiannual financial framework and through increased use of public-private partnerships.

Another crucial task is to co-lead work on a new long-term strategy for Europe's industrial future, together with the Executive Vice-President for an economy that works for people. This is to be achieved by working together with the Member States and businesses of all sizes. Investment in research and innovation will be of the utmost importance in supporting policy objectives. Furthermore, the Executive Vice-President is tasked with strengthening links and seeking synergies between civil, defence and space industries. Another joint project with the Executive Vice-President for an economy that works for people is to develop a new SME strategy, to focus on cutting red tape and enhancing the digitalisation of small businesses, entrepreneurs and start-ups.

The Executive Vice-President is also tasked with coordinating work on a new digital services act. Its aim will be to complete the digital single market and upgrade liability and safety rules for digital platforms, services and products. The mandate includes ensuring that concerns regarding the working conditions of platform workers are addressed.

Finally, the Executive Vice-President will coordinate work on digital taxation. Two [proposals](#) adopted by the Commission in 2018 have stalled in the [Council](#). In parallel, the international community, under the auspices of the Organisation for Economic Cooperation and Development (OECD)/G20 inclusive framework on base erosion and profit shifting (BEPS), which has 129 members including all the EU Member States, is attempting to resolve issues in this area. The [BEPS](#) approach

is based on soft law and its recommendations are not legally binding. The countries that have signed up to BEPS have committed to continue working towards a consensus-based long-term [solution](#) by the end of 2020. The Commissioner's mandate in this respect includes helping to achieve this goal or, if no consensus is found within this timeframe, proposing a fair European tax. The tasks relating to the competition portfolio are discussed in more detail below.

## European Parliament

The European Parliament has been a strong supporter of wide-reaching EU policy involvement in fostering the digital transformation of the economy and society. In its resolution of March 2018 on [guidelines](#) for the 2019 budget, the Parliament emphasised the [potential](#) of technological transformation for boosting economic growth and called for appropriate means from the EU budget to support the digitalisation of European industry and the promotion of digital skills and entrepreneurship. In January 2017, launching the debate at EU level, the Parliament called on the European Commission to examine the impact of [artificial intelligence](#) and robotics in order to fully exploit their economic potential and guarantee a standard level of safety and security. It made detailed recommendations for the future legal and ethical EU framework for robotics and AI.

Parliament has also long recognised the importance of reinvigorating European industry through comprehensive joined-up action. This was reflected in its 2017 resolution on building an ambitious EU [industrial strategy](#) as a priority for growth, employment and innovation in Europe. Breaking down barriers to the digitalisation of companies (especially innovative SMEs, start-ups and scale-ups) has been a key priority for Parliament with a view to completing the digital single market. In this respect, the European Parliament advocated swift implementation of the proposals included in the previous Commission's digital single market strategy, in order to promote a more dynamic (digitised) economy conducive to innovation.

In February 2019, Parliament adopted an own-initiative resolution calling for a comprehensive European [industrial policy](#) on artificial intelligence and robotics in order to boost innovation and the free movement of AI-driven services and smart goods. The importance of SMEs for the success of new technologies, and AI in particular, has been recognised systematically by Parliament, which welcomed the Commission's initiative to create an AI on-demand platform that will boost technology transfer and catalyse the growth of start-ups and SMEs. The Parliament also called on the Commission to consider the creation of a dedicated [agency](#) to provide the necessary expertise to respond in a timely way to the new opportunities and challenges arising in AI.

Essentially, Parliament has been a long-standing [proponent](#) of EU policy focused on supporting SMEs and cutting red tape. In its resolution of February 2019 on the [Programme for single market, competitiveness of enterprises and European statistics](#), Parliament called for greater efforts to reduce the administrative burden and increase the accessibility of support programmes in order to cut costs for SMEs and microenterprises. In April 2019, in its resolution on the [digital Europe programme](#), it also underlined a need to support SMEs intending to harness the digital transformation in their production processes, so as to allow these firms to contribute more to the growth of the European economy through a more efficient use of resources. Parliament has also asked the Commission to consider establishing an [SME-specific initiative](#) aimed at funding collaborative research access, digitalisation strategies and export market development. Furthermore, the European Parliament has called for greater [consistency](#) between trade policy and industrial policy in order to avoid relocations and further deindustrialisation in the EU.

Parliament has also asked the Commission to reflect on how [public procurement](#) could be deployed to trigger innovation systematically, particularly in the context of digitising industry.

In its resolution of July 2018 on the [European defence industrial development programme](#) the Parliament underlined that defence research promotes all kinds of innovation, owing to spill-overs into the civilian sector. MEPs were in favour of including research on satellite communications,



positioning, navigation and timing, autonomous access to space and permanent earth observation in the programme.

In June 2017 Parliament adopted an own-initiative resolution on [online platforms](#) and the digital single market where it stressed the need to clarify the liability regime, which is not fully suited to the new digital challenges. It recognised that platforms pose challenges to working conditions and workers' rights and highlighted the need to secure full respect for employment rights and adequate social security coverage in the digital economy. It also called for greater cooperation between online platforms and economic actors so as to fight the distribution of fake products that pose safety risks.

Parliament has also been a strong supporter of fair [taxation of the digital economy](#) and called for the scope and tax base of related Commission [proposals](#) to be widened.

## Competition policy portfolio – recent developments

The recently adopted [Directive \(EU\) 2019/1](#) introduced new rules to secure uniform application of competition law across the EU, ensuring the proper functioning of the internal market. This is to be achieved by empowering the national competition authorities (NCAs) to be more [effective enforcers](#) of competition policy, by boosting their independence, resources and powers. The directive's main provisions therefore strengthened the NCAs' investigative and decision-making capacities, allowing them to impose deterrent sanctions for breaches of antitrust rules, improved the design and coordination of leniency programmes, and provided the NCAs with sufficient human and financial resources to enforce competition rules independently and impartially.

On State aid, the Juncker Commission applied a 'big on big things and small on small things' approach. In 2017 it adopted [Regulation \(EU\) 2017/1084](#), exempting a significantly larger number of smaller and unproblematic State aid measures from prior notification in exchange for strengthened controls at Member State level. The new rules were allowed by the 2014 [General Block Exemption Regulation](#) (GBER) and extended exemptions to ports and airports. They also simplified aspects of other areas, namely cultural projects and multi-purpose sports arenas, and compensation for companies operating in the EU's outermost regions. The GBER seems to have been effective in simplifying State aid control: the Commission recently [announced](#) that since 2015 more than 96 % of new aid measures, for which expenditure was reported for the first time, fell within its scope. In January 2019, the Commission signalled its intention to extend seven sets of State aid rules for a period of two years (until 2022) and launched an in-depth policy evaluation in the area of State aid (fitness check), including the evaluation of functioning of the 'de minimis' rules.

The Commission recently launched a number of consultations indicating where it considered new policies may need to be introduced. The [Vertical Block Exemption Regulation](#) (VBER) for instance, which exempts certain agreements and practices from the EU's general competition rules, expires on 31 May 2022. The Commission is in the process of determining whether it should let the VBER lapse, prolong its duration or revise it, taking into account not least the influence of the digital economy on distribution processes and the findings of the e-commerce sector inquiry published in 2017, which identified many flaws.

The number of EU merger control cases has been growing recently: mergers are getting bigger and more numerous, as industries reshape globally. In two landmark cases, the Commission authorised the merger between [Bayer and Monsanto](#) (after the companies agreed to sell off businesses and assets worth more than €6 billion) and prohibited the high-profile [Siemens-Alstom](#) merger, owing to the insufficient remedies offered by the companies. The Commission has estimated that in the 2015-2018 period customer [savings](#) from antitrust and merger interventions totalled between €48 billion and €78 billion. The cases against [Google](#) perhaps drew the most publicity.

## Priorities and challenges

### Public opinion

According to a 2019 [Eurobarometer survey](#), most EU citizens agree that competition between companies encourages innovation and economic growth and leads to more choice and better prices for consumers. On the other hand, fewer than half the respondents would know where to turn to with a competition-related issue. The sectors most frequently mentioned by consumers as causing problems due to lack of competition, were telecommunications and internet access, with excessive prices the biggest concern.

In her mission letter to Margrethe Vestager, the President-elect mentions that an important task for the current mandate will be to boost the enforcement of competition policy, and case detection in particular, shortening the time taken for investigations and reinforcing cooperation among NCAs and between them and the Commission. A key issue will also be to improve global cooperation among competition authorities. Taking into account the fast-paced economic changes brought about by digitalisation, the Executive Vice-President is also mandated with examining how competition rules should fit into the digital age. This will concern the antitrust regulations that will expire in the course of the mandate, and an evaluation of merger control and the review of State aid rules and guidance. Importantly, in the first part of her mandate, Vestager will need to consider launching sector enquiries into important new and emerging markets.

Furthermore, competition regime will play an important part in the new industrial strategy. A level playing field encourages businesses to invest, innovate and grow and as such is fundamental to industrial competitiveness. Vestager will be tasked with assessing how EU State aid rules could be deployed to correct market failures and where value chains need to be strengthened. This will mean focusing together with the Member States on breathing life into [important projects of common European interest](#). Importantly, her role as Commissioner may include involvement in recalibrating EU's relations with [China](#) and other global competitors, taking into account the distortive effects of foreign state ownership and subsidies in the internal market.

With regard to the need to keep competition policy up to date, in April 2019 the Commission published a [report](#) prepared by experts on competition policy in the digital era. While confirming that the fundamental policy goals remain unchanged in relation to the digital economy, the report advocated swifter and tougher enforcement and certain adjustments to the way competition law is currently applied. The Commission's May 2019 [Future of Europe](#) paper, meanwhile, reiterated the need for competition rules to keep pace in an era of accelerating technological developments, notably taking into account a growing dependence on data access across industrial sectors. The main issues stemming from that paper were the need to protect competition on markets dominated by limited number of online platforms, the high significance of data and data access for competition, and the acquisition of small start-ups with high competitive potential by large platforms. The Commission has also signalled the need to examine whether the current [tools](#) at its disposal are suited to fast moving and novel [digital markets](#). It may prove necessary to work more closely with competition enforcers across [jurisdictions](#).

Merger control may also come into the [limelight](#). The question as to whether the Commission should support the creation of '[European champions](#)', particularly in a global economy characterised by numerous 'superstar' companies concentrating wealth and knowledge, is likely to remain pertinent – as illustrated by the recent Franco-German ministerial [manifesto](#).

The European Council's [strategic agenda for 2019 to 2024](#), adopted in June 2019, mentions ensuring fair competition as one of main areas for discussion of priorities. The leaders will seek to ensure fair competition within the EU and on the global stage, promoting market access, and fighting unfair practices, extraterritorial measures and security risks from third countries, while securing the EU's strategic supply chains. They also indicated the need to update the competition framework to reflect new technological and global market developments.

Another policy area that experts suggest could be addressed are remedies in competition law enforcement. The main aim of remedies is to address the consequences of anti-competitive behaviour and restore competition, but there is no systematic assessment of their effectiveness; the last report on remedies in the merger area was published in 2005. In parallel, reform of the EU [leniency programme](#) may also be needed since it has been used less frequently recently, not least considering that it has previously been useful in destabilising cartels, which inflict significant damage on consumers and the single market.

The Commission also reportedly intends to review the horizontal agreements framework, since they include for example rules on research and development which play key role in European competitiveness and the development of technology-driven markets. The General Block Exemption Regulation and the sectoral guidelines will also be under close examination, and the Commission will have to take a decision on the possible extension of the [Liner Shipping Consortia Block Exemption](#).

## European Parliament

### Treaty basis and European Parliament competence

Article 3(3) of the Treaty on European Union (TEU) states that the internal market should be based on a 'highly competitive social market economy'. Articles 101 to 109 of the Treaty on the Functioning of the European Union (TFEU) set out the rules on competition as they apply to undertakings and aid provided by governments in the internal market. Protocol No 27 requires action be taken to ensure competition is not distorted. Competition policy also has its legal basis in Articles 37, 106 and 345 TFEU concerning public undertakings and Articles 14, 59, 93, 106, 107, 108 and 114 TFEU for public services, services of general interest and services of general economic interest.

The European Parliament's involvement in competition legislation usually falls under the consultation procedure. Parliament's role is mainly to scrutinise Commission policy. Its principal activities include annual reports on competition policy and appearances of the relevant Commissioner in regular structured dialogues with Parliament's Committee on Economic and Monetary Affairs to explain the approach used and discuss individual decisions.

The European Parliament was co-legislator on the file on empowering the [NCAs](#). Parliament also adopted five annual reports on competition policy indicating some preferences with regard to future developments. In January 2019 Parliament called for [co-decision](#) to be used in the competition policy setting and for efforts to avoid a purely price-centred approach, rather taking into account also how competition affects the quality of products or services and citizens' privacy. MEPs also asked the Commission to review the Merger Regulation, considering the harmful effects of higher levels of horizontal ownership concentration. They specifically called for a revision of the thresholds used to determine whether mergers need to be reviewed by the Commission, to include factors such as the number of consumers impacted and the value of the transactions concerned. Parliament also saw a need to reduce asymmetries in access to public procurement contracts between the Union and third countries and called upon the Commission to carry out a sectoral inquiry into the advertising market. Importantly, Parliament's recent [report](#) on competition warned that 'digital companies constitute a specific challenge for the competition and fiscal authorities'.

Parliament also made a case for revising the effectiveness of existing competition law [instruments](#) in the digital age and developing them further if necessary. MEPs highlighted the growing impact of self-learning algorithms and artificial intelligence on the nature of cartel activity. Parliament asked the Commission to consider that control of the data necessary for the creation and provision of services is considered to be a proxy for the existence of market power. In view of the increased use of contractual restrictions on online sales by manufacturers, in their [2018 annual report](#) on competition policy MEPs called on the Commission to review the [regulation](#) on vertical agreements and concerted practices. Lastly, Parliament called on the Commission to assess the [adequacy](#) of market definitions and EU competition rules, to take into account the evolution of global markets and the emergence of the role of major national players in third countries.

## FURTHER READING

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