



FACTSHEET:

EU COMPETITION POWERS

OVERVIEW

THE EUROPEAN COMMISSION HAS EXTENSIVE AND EXCLUSIVE POWERS TO MONITOR AND ENFORCE THE GOOD FUNCTIONING OF THE SINGLE MARKET. THIS COMPETENCE GRANTS THE EC THE CAPACITY TO INVESTIGATE, FINE, PROSECUTE AND MONITOR BUSINESS AND PUBLIC AUTHORITIES ACTIONS THAT LIMIT THE COMPETITION AND FAIRNESS OF THE EU MARKETS

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Competition policy in Europe is a vital EC competence and essential for the good functioning of the Single Market. The main aim of this policy is to apply rules to make sure companies compete fairly with each other. With the higher degree of economic integration, violations of competition rules are increasingly happening or have an effect on the EU and beyond. The Commission has the competences to pursue these trans-EU cases. The EC can take binding decisions and impose substantial fines. It can investigate whether companies violate or could potentially violate the competition rules, so it can act preventively in order to safeguard a competitive market. The Commission enforces the EU competition rules together with the National Competition Authorities of the EU countries.



To achieve the good functioning of the market, the Commission monitors:

- **Agreements between companies that restrict competition.** European antitrust policy is developed from two central rules, a general prohibition of agreements between independent market operators which restrict competition. This provision covers both horizontal agreements and vertical agreements. The second one interdicts big companies market position abuses. The EC has also powers to investigate and denounce cartels. As their existence is not easy to find the EC follows a 'leniency policy' that encourages companies to hand over inside evidence of cartels in exchange for fines acquittal.
- **Mergers.** Some mergers may reduce competition in a market, usually by creating or strengthening a dominant player. Such reorganisations are welcome to the extent that they do not impede competition. Mergers going beyond the national borders of any one Member State are examined at European level when the annual turnover of the combined businesses exceeds specified thresholds in terms of global and European sales. If the EC judges a merger would impede effective competition, it can block it or force companies to agree to taking action to correct this market distortion.
- **State aid for companies.** A company which receives government support gains an advantage over its competitors. Therefore, the EU Treaty generally prohibits State aid unless it is justified by reasons of general economic development. State aid is defined as an advantage conferred on a selective basis by national public authorities. Thus, general measures open to all enterprises do not constitute State aid. To be considered State aid, a measure needs to be an intervention by the State or through State resources (e.g. grants, interest and tax reliefs, guarantees, etc.), it should give the recipient an advantage on a selective basis, competition must be distorted and the aid must affect trade between Member States.

If you wish to obtain more information on this issue contact the **ETA Secretariat**

