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Competition in the Digital Economy

New Realities, New Thinking

Presentation by Professor Caron Beaton-Wells

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Competition in the digital economy - new realities, new thinking

Professor Caron Beaton-Wells

UNCTAD IGE ON COMPETITION LAW AND POLICY
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About this address

• An economic puzzle?

• A priority for developing countries?

• A stocktake of responses?

• An emerging consensus?
An economic puzzle
Currently valued at US$3 trillion. 25% of global GDP by 2020, 60% by 2022. Current value generated in just 20 years.
Disturbing trends

- Market concentration
- Slowing productivity growth
- Reduced business dynamism
- Increases in mark ups
- Wage stagnation
Big Tech = Big (Competition) Problem?

US top 5 and China’s top 4 currently generate 90% of the digital economy’s revenue and profits

Search
Social networks
Communications
Operating systems
Data storage
Digital advertising
E-commerce
A developing country priority
Developing countries and the digital economy

- 2/3 of 3 billion internet users
- 6.5 billion mobile phone subscriptions
- 43% of global digital media spend
- 70% buying online
- Google and Facebook working to connect the next billion users
- Online payment services growing
- 53% on social media
- Global players buying local e-commerce platforms
A stocktake of responses
Google: 29
Amazon: 20
Apple: 16
Facebook: 1
Total: 66

Investigations, 2010-to date
Total: 27

Policy studies, 2010-to date
An emerging consensus
1. Digital markets are different
2. Power and competition dynamics are different
3. There are risks to consumer welfare
4. Competition policy goals don’t need to change
5. The toolkit needs to be tweaked

- Broaden market lens
- Recognize intermediation or bottleneck power
- Focus on non-price effects
6. Enforcement needs to be bolder and quicker

- Shift in error cost assessment
- Interim measures
- Lower standards of proof
- Limited appeal rights
- Reversed burdens
7. Reform merger control

➢ Between them GAFA have made 400+ acquisitions over the last decade

➢ In 60% of cases, targets are less than 4 years old

➢ Targets are often complements or a source of more data or better data analytics

➢ Adjust notification thresholds to reflect transaction value

➢ Pay attention to data and innovation effects

➢ Give weight to potential competition
8. There is a role for regulation

Data portability

Platform rules

Open standards

Consumer settings
Final thoughts...

“The future is already here – it's just not very evenly distributed.”