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Competition

The EU's rules on competition are designed to ensure fair and equal conditions for businesses, while leaving space for innovation, unified standards, and the development of small businesses.

Under EU rules, businesses cannot:

- fix prices or carve up markets amongst themselves
- abuse a dominant position in a particular market to squeeze out smaller competitors
- merge –if doing so would put them in a position to control the market. In practice this rule only prevents a small number of mergers going ahead. Larger companies that do a lot of business in the EU cannot merge without prior approval from the European Commission – even if they are based outside the EU.

Protection for small firms

Large firms are barred from using their bargaining power to impose conditions that would make it difficult for their suppliers or customers to do business with their competitors. The Commission can (and does) fine companies for this practice, because it leads to higher prices and/or less choice for consumers.

EU investigations into anti-competitive practices cover not only goods but also professions (doctors, lawyers, etc.) and services – including financial services, such as retail banking and credit cards.

No props for lame duck companies

The Commission also monitors how much assistance EU governments give to businesses ('state aid'), for example:

- loans and grants
- tax breaks
- goods and services provided at preferential rates
- government guarantees which enhance the credit rating of a company compared to its competitors.

The risk with such assistance is that it may favour well-connected vested interests, at the expense of those who compete on their own merits – with the bill footed by the taxpayer. Reining in such undeserved subsidies is a cheap and effective way to make Europe fairer and promote economic growth.

Flexible rules

These rules are applied with common sense and flexibility. The main consideration is whether consumers will benefit or other businesses will be harmed. For example, governments are allowed to help firms in difficulty – or new ventures – if they have a real chance of eventually being profitable, and so saving, even creating, jobs. What is not allowed is help for ailing businesses that have no hope of being viable.

Other exceptions to the general rules include:

- companies working together on a single technical standard for the market as a whole
- smaller companies cooperating, so they can compete better with larger ones
- research and innovation initiatives
- regional development projects

Recent cases

In 2014, the Commission fined French pharmaceutical company Servier and 5 other producers of generic medicines almost €430 million for concluding a series of deals to protect Servier's bestselling blood pressure medicine, perindopril, from price competition from other generics in the EU.

The Commission has also investigated cartels in the market for **financial derivatives**, priced by reference to certain benchmark rates (EURIBOR (EIRD), JPY Libor, Euroyen TIBOR (YIRD) and Swiss franc Libor (CHIRD)).

It has taken several decisions in these cases over the past few years, against banks such as Barclays, Deutsche Bank, RBS, Société Générale, UBS, Citigroup and JPMorgan. Fines totalled about €1.8 billion (some banks had their fines reduced for cooperating with the investigation and agreeing to settle).

Checks and balances

The Commission's extensive powers to investigate and halt violations of EU competition rules are subject to a number of internal checks and balances, as well as full judicial review by the European Courts. Companies and EU governments regularly lodge appeals against Commission decisions, which are sometimes successful.



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This publication is part of the 'European Union explained' series

See also:



EU institutions and bodies

- European Parliament
 - Committee on internal market and consumer protection
 - Committee on economic and monetary affairs
- Council of the European Union
 - o Competitiveness: internal market, industry and research
- European Commission
 - Competition
- European Economic and Social Committee
- Single market, production and consumption section
- Committee of the Regions • Commission for Economic Policy (ECON)
- Funding opportunities

• Grants

- Call for tenders (public procurement)

Publications, newsletters and statistics

- Publications Newsletters
- Statistics
- Legislation

• Summaries of EU legislation on competition

- Treaty on the Functioning of the European Union Article 101 (competition), Article 109
- (procedure for adopting implementing rules for competition)

• Competition

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