



**Common Understanding
of G7 Competition Authorities
on “Competition and the Digital Economy”
Paris, 5th June, 2019**

In view of the G7 Finance Ministers and Central Bank Governors meeting on 17-18 July 2019, this paper reflects the G7 competition authorities' common understanding of the issues raised by the digital economy for competition analysis

The G7 competition authorities are: Autorità Garante della Concorrenza e del Mercato (Italy), Autorité de la Concurrence (France), Bundeskartellamt (Germany), Competition and Consumer Commission (Ireland), Competition and Consumer Commission (Japan), Competition and Consumer Commission (South Korea), Competition and Consumer Commission (United Kingdom), Competition and Consumer Commission (USA)



innovation and growth while safeguarding consumer welfare and trust in digital markets.

x Competition law is flexible – it can and should adapt to the challenges posed by the digital economy without wholesale changes to its guiding principles and goals. The challenges of digital transformation require competition authorities



opportunities, and reduced the costs of goods and services throughout the economy

Data-driven innovations, in particular, have transformed the digital economy. Data and its associated network effects play a key role in the development of algorithms and artificial intelligence

The accumulation of data can benefit consumers by improving the quality of existing goods and services and by creating new ones, including some that users can access for free. Strategies involving zero-priced offers have flourished amongst digital platforms and have brought significant benefits to consumers by offering



continues to deliver economic dynamism, competitive markets, consumer benefits, and incentive to innovate.

2. The flexibility and relevance of existing antitrust rules

Along with its benefits, the digital economy also presents challenges for competition enforcers as they seek to maintain an environment that fosters innovation, supports robust competition and promotes consumer welfare

For example, the fast-moving nature of the digital economy, multi-sided markets and zero-priced offers can make market definition, market power assessment, and competitive effects analysis more difficult, requiring closer analysis on non-price aspects of competition such as quality, innovation, and consumer choice.

Some digital markets also can be characterized by significant network effects (both direct and indirect) and economies of scale/scope, which have generated some concern over the potential impact of these factors on concentration and barriers to entry. Concentration in digital markets may require enforcers to be even more vigilant to detect anticompetitive behaviour by dominant firms, promoting competitive markets while recognizing that significant market share or dominance in and of itself is not unlawful.

Similarly, concerns have been raised about whether accumulation of large amounts of data by platforms can create barriers to entry or market power, especially when data is difficult to replicate.

Although these are challenging issues, they are not beyond the reach of competition law. Many of the features of digital markets, including the existence of platforms, network effects, economies of scale/scope, industry concentration,



and zero-priced offers are not new and have been addressed by authorities under existing competition law. In fact, all G7 competition authorities have a proven record of dealing with these considerations

Because of its flexible analytical framework, fact-based analysis, cross-sector application and technology-neutral nature, competition law can effectively apply to digital markets and to harmful anticompetitive behaviours emerging in the digital economy. This is not to say that jurisdictions have identical tools, resources or skills for putting competition law principles into practice. Indeed, in the spirit of continuous improvement, digital transformation has prompted many jurisdictions to consider how their competition law enforcement systems apply to digital markets. As noted below, this work should continue.

The concepts of market definition, market power and abuse of dominance enable competition authorities to assess the individual circumstances of a market concerned. These analytical tools are not limited to examining effects on prices and quantity, but also include the effects on quality, consumer choice and innovation. The digital economy raises certain substantive and procedural challenges for competition authorities. One of the challenges is the common presence in the digital economy of various multi-sided platform models - ranging from platforms offering relatively simple financed services to hybrid platforms active in both offering their own services and providing access and infrastructure to competitors.

Other challenges include how to use effective information-gathering powers, which



competitive effects of firm conduct that employs machine learning and algorithmic pricing methods.

However, recent casework shows that competition generally



sided markets, data and algorithms and/or the impact of merger control on innovation and competition in the digital economy.

3. The importance of advocacy and of competition impact assessment of policies

Regulations, when targeted and proportionate, can be complementary to competition rules in addressing digital challenges and may be appropriate to solve issues that go beyond the reach of competition rules. Whereas governments should avoid using



initiatives that complement