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**DIRECTORATE FOR FINANCIAL AND ENTERPRISE AFFAIRS
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Summary of Discussion of the Roundtable on Pro-competitive Industrial Policy

Annex to the Summary Record of the 142nd Meeting of the Competition Committee

12-14 June 2024

This document prepared by the OECD Secretariat is a detailed summary of discussion of the Roundtable on Pro-competitive Industrial Policy, held by the Competition Committee on 12 June 2024.

Please contact Mr Antonio Capobianco if you have questions about this document.
[Email: Antonio.CAPOBIANCO@oecd.org]

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1. Introduction by the Chair

On 12 June 2024, the OECD Competition Committee held a Roundtable on Pro-competitive Industrial Policy chaired by Frédéric Jenny.

The **Chair** introduced the discussion and explained that it would focus on three main areas: the current state of industrial policy and its interaction with competition policy, guiding principles for a pro-competitive industrial policy, and the role competition authorities can play in industrial policy. The Chair noted that contributions from various countries suggested that competition authorities could take an active role in shaping industrial policy. He mentioned that after the roundtable, there would be a presentation of the third report on the adoption of computational antitrust by agencies by the Stanford group, detailing how competition authorities use AI and digital elements in their investigations.

Before delving into specific contributions, the Chair noted the recent Press Release from Reuters, under the headline “Europe’s push for industrial champions seen continuing, despite the divisive Parliament poll”. The Press Release has increasingly supported the growth of “European Champions”, i.e., large companies that can compete with Chinese and United States (US) giants. Significant funding has been directed towards areas like hydrogen, batteries, and cloud infrastructure, which are considered essential for technological advancement and economic security. Also, the US has introduced the Inflation Reduction Act, a 430-billion-dollar initiative, aiming at reducing carbon emissions while China continues to invest in achieving technological efficiency. The Chair added that the European Union (EU) alone cannot accomplish those goals. According with Andrea Rends, Director at the Centre for European Policy Studies, achieving those goals requires a robust industrial policy, and potentially being lenient towards European giants.

The Chair indicated that four guest speakers would contribute to the roundtable by offering their expertise: **Diane Coyle**, Bennett Professor of Public Policy at the University of Cambridge and independent academic advisor to the Competition and Markets Authority (CMA), **Chiara Criscuolo**, Principal Economist at the International Finance Corporation and former head of the Productivity, Innovation, and Entrepreneurship Division at the OECD, **Bill Kovacic**, Director of the Competition Law Centre at George Washington University; and **Nathan Lane**, Associate Professor in Economics at Oxford University and co-founder of the Industrial Policy Group. The **Chair** kicked off the roundtable discussion by asking the **Secretariat** to present their background paper.

The **Secretariat** presented the background paper and set the stage for discussion. The speaker emphasised the evolving nature of industrial policies, which are no longer new but have gained renewed attention in recent years. Governments are increasingly using these policies more explicitly, aiming to achieve broader objectives beyond traditional economic goals. The paper defined industrial policy as a set of government interventions intended to structurally improve the performance of the domestic business sector. The definition excluded macroeconomic policies like fiscal or monetary measures, which target the business cycle rather than structural performance. The objectives of industrial policy have expanded from economic growth, productivity, and competitiveness to include resilience, strategic autonomy, reducing inequality, and supporting climate and digital transitions. For example, the Secretariat referenced Olivier Guersent’s remarks concerning the need for

more state interventions in the green transition due to authorities' delays and procrastination.

Also, the paper explored the relationship between competition and industrial policy, highlighting two key intersections. First, competition can support industrial policy, particularly in competitive markets, as research by Philippe Aguilon shows that industrial policy is most effective in such environments. Competition authorities can prioritise industries that are crucial for industrial policy, adapting their enforcement strategies accordingly. The Secretariat used the example of merger review, where efficiencies may play a larger role, but competition authorities can also guide acceptable cooperation agreements and enforce against anti-competitive behaviour. The second point was the impact of industrial on competition policy, a topic of intense debate due to concerns about market distortion from practices like heavy subsidisation. The paper argued that industrial policy can be designed to increase or create competition or at least not decrease competition, by lowering barriers to entry or strategically using public procurement. Additionally, industrial policy should support competition through conditionalities or guardrails. Conditionalities require recipients of government support to meet specific performance, while guardrails impose limits on corporate practices to ensure public investments are not diverted towards maximizing shareholder value at the expense of true innovation. Last, industrial policy should focus on tackling market failures and lead to a minimum of market distortions. The Secretariat concluded by stressing that competition principles should be integral to industrial policy design, ensuring that market forces are harnessed in pursuit of social and political goals.

2. Interaction Between Industrial Policy and Competition

The **Chair** thanked the Secretariat and asked **Chiara Criscuolo** to elaborate on the interaction between industrial policy and competition.

Chiara Criscuolo emphasised that while much of the focus has been on vertical interventions and their distortive effects, a broader perspective is necessary. This view considers industrial policy as a government intervention designed to improve the structure and performance of domestic business sectors, such as competitiveness, resilience, and climate neutrality. Chiara Criscuolo also stressed the importance of recognising the complementarities between different policy instruments, such as grants, subsidies, and tax incentives, as well as their interaction with other parts of government. Also, the Framework Paper mentions that a growth approach should be taken regarding industrial policies where the focus is on the role of industrial policies to improve measures such as Research and Development (R&D) tax incentives, R&D grants and how industrial policy can improve its dynamics. This would happen both through industrial policy instruments, but also through competition authorities and pro-competitive regulation, because they play an important role in increasing innovation and productivity.

Moreover, Chiara Criscuolo underscored the significance of continuous measurement and comparability and the need for international coordination across countries to avoid a "tit-for-tat" approach in industrial policy, which is crucial for achieving ambitious goals, such as climate neutrality. The expert concluded by offering five practical tips for minimising market distortions in industrial policy: (a) effective design of policy instruments, such as providing tax or fiscal incentives for investments, (b) combination of different instruments, e.g., a mix of targeted instruments, such as combining R&D tax credits with demand-side instruments and public procurement, (c) ensuring the coherence and complementarity of different policy instruments, such as continuous evaluation and the ability to restructure policies, (d) effective governance, involving multiple government actors, including

competition authorities, (e) collaboration across countries and firms. To illustrate the last points, the speaker used the example of collaboration between the Directorate-Generals (DGs) and Member Countries in the EU to design ex-ante pro-competitive tools for innovation.

The **Chair** thanked Chiara Criscuolo and asked **Nathan Lane** to discuss the interface between industrial and competition policy.

Nathan Lane provided an overview of the current state of economics concerning industrial policy, noting that economists were largely unprepared for its recent resurgence. He introduced the concept of "new economics of industrial policy," which addresses the debate over whether states should shape the composition of economic activity, which has been controversial in social sciences since people like Alexander Hamilton. Despite valid scepticism from economists such as Adam Smith, Alfred Marshall, and Gary Becker, who have claimed that "the best industrial policy is none at all," the speaker highlighted the lack of substantial literature on industrial policy within economics. The rise of industrial policy caught economists off guard, as there was not a substantial empirical body of work to guide policymaking. Nathan Lane emphasised the importance of having a clear, principled definition of industrial policy, which he described as government action aimed at transforming the economic structure with specific goals. He criticised the broad generalisations about industrial policy, pointing out that the latter encompasses a wide range of actions, making binary judgments of "good or bad" inadequate.

Nathan Lane also noted the increasing prevalence of industrial policy, particularly in OECD countries, over the past few decades, a trend that blossomed post-2020 across various countries. He stressed the need for empirical evidence, which is slowly emerging, and case studies to understand the complexities and varied effects of industrial policy. Nathan Lane also argued that competition plays a crucial but often overlooked role in the success of industrial policies, with successful cases frequently involving strong competitive pressures. Moreover, Nathan Lane stressed the importance of understanding why industrial policy works well in some settings but fails in others, arguing that there should be a deeper analysis to understand the reasons. He referred to the work of Anne Harrison, Dean of Berkeley Business School, on the role of competition as an operating force in industrial policy. He concluded by suggesting that regulatory and competition authorities should play a significant role in designing industrial policies and cited recent developments in the US under the Biden administration, where there is a growing collaboration between antitrust experts and industrial policymakers.

The **Chair** thanked Nathan Lane and asked the **European Union(EU)** to elaborate on the difference between the efficiency of the policy design and the market outcomes.

The **EU** highlighted that competition policy and well-designed industrial policies are complementary and essential for enhancing industrial competitiveness and economic growth. There is no contradiction between active industrial support and competition policy; rather, the two work together to build economic resilience and efficiency. Competitive markets, supported by competition policy, drive productive and allocative efficiency, ensuring the competitive supply of inputs, and fostering innovation, investment, and technological adoption. Industrial policies further enhance competitiveness, particularly when markets fail to deliver efficient outcomes on their own, addressing both static and dynamic inefficiencies such as market failures, missing markets, and the entrenchment of market power. For example, the security of supply can also be related sometimes to questions of mis-coordination and externality issues.

Therefore, both competition and industrial policies are complementary policy tools that can foster industrial competitiveness and economic growth. On the one side, industrial policies

can address market failures to improve the functioning of competitive markets. On the other side, poorly designed industrial policies can unintentionally undermine competition. Pro-competitive industrial policies must prioritise efficiency in two key areas: the efficiency of policy design, which requires well-defined objectives, and appropriate tools, and the efficiency of market outcomes resulting from policy interventions. For the EU, the impact assessment of industrial policies must extend to long-term, dynamic effects, particularly unintended distortions to competition and inefficient market outcomes. In the context of a globalised setting, the speaker stressed that industrial policies must account for global interdependencies, such as supply chains, capital flows, and trade relations. Policies that merely seek to advantage domestic firms through fiscal measures risk triggering global subsidy races, leading to protectionist reactions and suboptimal outcomes. Instead, industrial policies that promote long-term dynamic competitive advantages, economic security, and regional cohesion are more likely to enhance overall welfare.

The **Chair** thanked the EU for their comments on the complementarity of the areas and invited **Sweden** to discuss the different goals of competition authorities and what their approach should be.

Sweden argued that their goals of industrial policy align with competition policy objectives, with inconsistencies typically arising in the design of specific instruments rather than in the goals. Poorly designed policy instruments can harm competition by being ineffective or creating unintended side effects, such as creating entry barriers. The Swedish Competition Authority primarily engages in advocacy, providing expert opinions on industrial policies, often at the request of the government, to flag potential competition issues and suggest alternative solutions. While the Authority's opinions are usually influential, the speaker noted opportunities for more proactive advocacy and highlighted the need for national competition authorities to expand their role primarily in reactive advocacy ex-post but also in proactive advocacy ex-ante.

The **Chair** thanked Sweden and gave the floor to **New Zealand** to continue the discussion on the proactivity of competition authorities.

New Zealand acknowledged the influence of the OECD in shaping its competition assessment guidelines. The speaker also reflected on the role of competition agencies, highlighting that while they had historically been hesitant to be proactive, they have become more active in recent years. The New Zealand Competition Agency has implemented both proactive and reactive measures. The competition assessment guidelines represent a proactive effort. These guidelines provide a straightforward, accessible resource for government agencies to reference, with the option of seeking more detailed advice from the competition authority if needed. The delegate also emphasised the agency's market study program, which could be seen as both reactive and proactive. While market studies are typically initiated in response to perceived competition issues, they are proactive in that they result in recommendations to the government. Past studies have covered sectors such as fuel, groceries, and building products, with many recommendations being adopted by the government.

Furthermore, New Zealand mentioned that the agency is currently working on a market study on personal banking services. The speaker discussed the agency's role in industrial policy, particularly in regulating the grocery market and retail payments sector. The agency initially focused on reducing interchange fees and is now working to open the interbank payment network to enhance competition. In conclusion, New Zealand emphasised that its actions remain focused on promoting competition, and so far, its efforts have been successful.

The **Chair** thanked New Zealand and gave the floor to **BIAC**.

BIAC acknowledged the alignment between their views and the OECD Secretariat's background paper, especially regarding the notion that well-designed industrial policies can support competition. BIAC emphasised that competition policy and enforcement can complement industrial policy but noted complexities in determining when industrial policies might be anti-competitive. BIAC's main concern focused on industrial policies that are discriminatory or distort market dynamics, particularly those with protectionist objectives conflicting with traditional competition law principles. The speaker pointed out that this tension becomes problematic when industrial policies ignore economic principles, consumer welfare, or free and fair competition among firms.

BIAC also recognised the difficulties faced by competition agencies when governments asked them to consider industrial policy factors in enforcement, stressing the importance of maintaining neutral competition principles, as emphasised by Sweden. BIAC warned that this partisanship could degrade competition agencies' influence and discourage long-term investments in agency performance. In addition, BIAC urged competition authorities to play a consultative role within their governments, ensuring that new regulatory initiatives are consistent with competition policy. They advocated for proactive engagement to prevent anti-competitive policies, stressing the need for competitive neutrality. BIAC also recommended that the OECD should develop useful practice guidelines and scorecards for authorities and ensure legal certainty. Finally, BIAC called for increased cooperation between authorities, noting that mutual trust based on respect for each other's legal systems is crucial. Lack of clarity on the primary elements of decision-making could undermine legal certainty, distorting incentives for investment and innovation.

The **Chair** thanked BIAC and gave the floor to **France**.

France outlined the country's pro-competitive industrial policy aimed at enhancing competitiveness and ensuring strategic autonomy in the interests of industrial sovereignty. This policy aligns with EU efforts and responds to recent successive crises, such as the COVID-19 pandemic, the war in Ukraine, and the climate crisis. France has also employed a dual approach, with vertical and horizontal industrial policies. Vertical policies focus on direct support, such as subsidies, and include initiatives like the €54 billion "France 2030" plan, which targets high-growth sectors such as semiconductors, biotechnology, and hydrogen. In parallel, horizontal policies create a favourable environment for all businesses by supporting research, workforce training, and improvements in taxation, regulation, financing, and infrastructure. The speaker emphasised the importance of striking a balance between competition and industrial policy, noting that economic studies, such as those by Philippe Aguilon show that the most effective industrial policies promote competition in strategic sectors. Competition encourages innovation, market access, and skills. The EU acknowledges this dynamic, allowing certain exemptions to competition rules under specific conditions. France's competition authority plays a crucial role in protecting competition, including preventing abuses of dominant market positions, incorporating competition considerations into its analyses, and ensuring competitive balance, as seen in recent studies on hydrogen markets. In conclusion, France advocated for a pro-competitive industrial policy and encouragement of innovation for a dynamic and resilient economy.

The **Chair** thanked France for its contribution. Next, he gave the floor to **Professor Diane Coyle** to discuss potential principles for designing pro-competitive industrial policy.

Prof. Diane Coyle emphasised the importance of the current discussion on industrial policy, particularly considering two major structural transformations: the transition to a net-zero energy system and the ongoing digital revolution. These developments are reshaping markets and creating new ones, e.g., the generative AI market. The speaker highlighted the need for governments and businesses to coordinate their policies and actions, as the decisions made now will have long-term consequences due to the path-dependent nature of

economic outcomes. For competition authorities, this means that even routine decisions, such as those in merger inquiries, are market-shaping and can have lasting effects. To illustrate, the Professor cited a 2009 decision by the UK's Competition Commission to block a joint venture by UK broadcasters, which ultimately allowed Netflix to dominate the UK broadcasting market. Prof. Diane Coyle argued that competition authorities' decisions are not purely technical; they increasingly involve strategic considerations beyond consumer welfare, such as national security, privacy, and environmental standards. These issues lead to overlaps between competition and industrial policy. The speaker acknowledged that some industrial policy interventions, like public R&D spending, can be pro-competitive, while others, such as subsidies to specific companies, may distort markets. In technology standard-setting, competition authorities may need to rethink their traditional opposition to practices like information exchange between companies, as standards can promote competition and innovation. The expert contrasted historical examples, such as the VHS vs. Betamax competition, and GSM mobile phone standard, which created a global market and lowered prices. She also noted that while some competition authorities are beginning to address dynamic issues like innovation and ecosystems, many have not dealt with these complexities before. In the setting of rapid technological change and large economies of scale, case-by-case assessments may not be sufficient to ensure positive outcomes. Two unresolved issues were raised: first, how to achieve effective policy coordination between industrial and competition authorities, especially when their goals conflict; and second, how to balance the independence of competition authorities with the political and strategic decisions in the context of the technological and competitive challenges.

The **Chair** thanked Prof. Dina Coyle for explaining how competition decisions may have industrial policy consequences and vice versa. He then turned to **Prof. Bill Kovacic** to discuss the principles for designing pro-competitive industrial policy.

Prof. Bill Kovacic explained the role of competition agencies in discussions on industrial policy, drawing on his extensive experience with specific industries. This experience comes from casework and market studies, which have proven valuable for understanding how various government policies shape industries and firms. The speaker highlighted his experience at the CMA, where market studies not only looked beyond traditional anti-competitive behaviours but also examined broader public and private initiatives. A key takeaway is the need for industrial policy authorities to integrate competition policy into their frameworks. The OECD's Competition Assessment Toolkit provides a useful structure for this, encouraging authorities to consider the goals of initiatives, the means chosen to achieve those goals, and the proportionality between means and ends. Importantly, authorities should assess the actual effects of their initiatives to ensure competitiveness is being promoted. Prof. Bill Kovacic provided an example from NASA, which funded SpaceX as a competitive alternative to the sole supplier of large launch services, United Launch Alliance in the 2000s. Without this funding, SpaceX would not have emerged as the leading global provider of launch vehicle services. DARPA's funding of startups in the drone sector was also cited as a pro-competitive measure.

However, Prof. Bill Kovacic cautioned that encouraging public officials to take risks on new entrants may result in failures, which are inevitable in innovation. Public sectors often fear failure, yet successful innovation requires a tolerance for occasional setbacks. Another cautionary example was the rapid push towards nuclear energy after World War II, which demonstrated the risks of advancing technology too quickly without proper development, testing, and absorption of necessary skills. In closing, Prof. Bill Kovacic warned that advice given to public authorities might not be well received, as seen when the Federal Trade Commission (FTC) reported the high costs of import controls in the US steel sector in the 1980s. There is also the risk that conditionalities and guardrails placed on recipients of

public funds may be overridden due to political influence. Additionally, non-transparent innovation mechanisms, like DARPA, may not be as acceptable in the civilian sector, where there is less tolerance for failure and more demand for transparency.

The **Chair** thanked Prof. Bill Kovacic for the advice to follow a strategic long-term view, which is not necessarily the traditional view of competition analysis. Next, the Chair invited **Italy** to discuss the approach to public intervention.

Italy highlighted those conflicts can arise when government interventions contradict competition law. The delegate also noted that the Italian Competition Authority is not only reactive but has adopted a proactive stance, thanks to a legal mechanism introduced in 2009, mandating that the Authority produces an annual report detailing existing regulatory barriers that must be removed. In principle, the Parliament is expected to implement these recommendations by passing an annual law dedicated to improving competition. However, the speaker pointed out that in the early years, this process was ignored. After 2010, the Italian Parliament passed those recommended competition laws only twice. A significant shift occurred in the wake of the COVID-19 pandemic and the war in Ukraine, which had far-reaching economic consequences for Italy and other European countries. As part of the EU's response to the crisis, Italy adopted a National Plan for Recovery and Resilience. This plan, developed in coordination with the EC, linked the receipt of recovery funds from the EU to the Italian Parliament's obligation to pass an annual competition law. Since then, the Parliament has become more responsive to the recommendations, passing the competition law annually by December 31st of each year. Even after the Plan concludes, Italy was optimistic that the Italian Parliament and government would maintain the practice of adopting annual competition laws.

The **Chair** thanked Italy for explaining the legal framework and for the examples of cooperation between different policymakers and competition authorities. Next, he turned to the **EU** to ask about their contribution to industrial policy and the ways their instruments are pro-competitive and useful for industrial policy.

The **EU** discussed the role of pro-competitive industrial policies in Europe, particularly in the context of Important Projects of Common European Interest (IPCEIs). These initiatives aim to support innovation and technology adoption, such as in areas like digitalisation and decarbonisation. IPCEIs have been utilised in key sectors, including advanced technologies for batteries, microelectronics, cloud, hydrogen, and pharmaceuticals and represent a significant EU development of coordination of national industrial policies. For example, 22 Member States have been involved in the 10 IPCEIs approved so far. A critical component of the IPCEIs' design is their approval by the EC. These rules ensure that public support addresses market failures and avoids crowding out private investment. To protect the efficient use of public funds, competitive tendering is also an option, and assessments are conducted to ensure that support is limited to the minimum necessary. Additionally, efforts are made to prevent any distortion of competition in the internal market, with commitments required to ensure positive cross-border spillovers. Finally, the EU referred to the importance of designing industrial policies with an EU-wide perspective, given the integrated nature of the EU single market. EU policy instruments like IPCEIs and state aid rules are essential for addressing common economic challenges while preserving fair competition across Member States.

The **Chair** thanked the EU and reflected on three specific considerations: the focus on emerging technologies without predetermining winners, the strict elimination of underperformers throughout the process, and ensuring collaboration with businesses to enhance or replace the public initiative. He then shifted the discussion to **Korea**, where the Korean Fair-Trade Commission (KFTC) has played a proactive role in shaping pro-competitive regulation in collaboration with technical ministries. For example, using the

Distribution Industry Development Act of 2013, the KFTC can intervene *ex-ante* to ensure that regulations promote competition. Hence, the Chair invited Korea to take the floor.

Korea began by acknowledging their remarkable economic growth over a short period of time, achieved through strong government-led industrial policies, but also highlighted the tension between competition and industrial policy. Despite those tensions, Korea advocated that economic growth is possible when markets are fair, and the rule of law prevails.

Korea noted KFTC's efforts in harmonising industrial and competition, by stating two key mechanisms: first, mandatory pre-consultations and competition impact assessments. The mandatory pre-consultations, grounded in Article 120 of the Monopoly Regulation and Fair-Trade Act, require government ministries, particularly those responsible for industrial policy, to consult with the KFTC before drafting or revising legislation. The second mechanism, the competition impact assessment, involved a thorough analysis of proposed regulations and laws to assess their potential impact on market structures, pricing, and output levels. The KFTC's assessments were designed to identify potential anti-competitive effects of new regulations, in order to propose amendments. In 2023 alone, the KFTC analysed 2,600 laws and identified 22 anti-competitive regulations across 19 laws, leading to 15 of these regulations being revised or withdrawn.

Korea then highlighted a case study regarding the revision of the Distribution Industry Development Act. Initially, this act was introduced in 2013 to protect small businesses by imposing closures on Sundays twice a month and limiting online deliveries during off-hours. However, the rapid growth of online e-commerce platforms created a loophole for competition issues. The KFTC recognised that the regulation was not only inconveniencing consumers but was also ineffective in protecting traditional markets from competition with e-commerce. The KFTC has actively fulfilled its role as a competition authority by pursuing to harmonise industrial and competition policies. By fostering communication and consultation among government bodies, Korea argued that policy conflicts can be resolved. In 2023, Korea introduced a rigorous economic research and analysis program, providing valuable insights to support this development.

The **Chair** thanked Korea for their contribution. He then turned to **Japan**, asking how they conducted their market study on electric vehicle (EV) charging services and how they influenced the industrial policy on that issue.

Japan by expressing gratitude to the Chair, the Secretariat, and the experts for organising the roundtable discussion, with thanks extended to Prof. Bill Kovacic for his valuable insights. Japan then focused on a market study related to EV charging services on Japanese expressways, published in July 2023. This study was part of Japan's broader goal to achieve carbon neutrality by 2050 and to ensure that 100% of new car sales by 2035 will be electrified vehicles, EVs, fuel cell electric vehicles, plug-in hybrid EVs, and hybrid EVs. Japan has committed to expanding EV charging infrastructure to match the convenience levels of gasoline-powered vehicles by 2030. Given this, the EV charging services sector is expected to experience significant growth and undergo rapid changes. The market study aimed to promote fair and free competition in the development of charging infrastructure, foster new market entries, and encourage innovation in support of a green society.

The study particularly focused on expressways, where reliable EV charging services are essential for long-distance travel. Key findings highlighted that the Ministry of Economy, Trade, and Industry (METI) and the Ministry of Land, Infrastructure, Transport, and Tourism (MLIT) had introduced a package of measures in March 2023 to accelerate the development of EV charging infrastructure on expressways. The plan aimed to ensure that EV drivers could charge their vehicles whenever necessary, targeting an increase in high-output EV charging stations and multiple outlets. At that time, Japan noted that three major

expressway companies announced their plans to install approximately 1,100 charging stations in rest areas of expressways by the fiscal year 2025. However, almost all charging stations in rest areas had been installed by a single company. Finally, the report issued several recommendations, including that expressway companies should select charging station providers from among multiple companies. Additionally, the report recommended that METI and MLIT discuss policies to ensure competitive conditions in the EV charging services sector. The Japanese Fair-Trade Commission (JFTC) also indicated its willingness to engage in these discussions to make procurement more competition oriented.

The **Chair** thanked Japan and invited **Indonesia** to discuss the mismatch between supply and demand and the government's approach to adopting solutions that would address the productivity issue directly rather than tinkering with supply and demand.

Indonesia provided an overview of the poultry industry, with a focus on the significant role of chicken meat in the country's economy. The speaker emphasised that chicken is a vital protein source in Indonesia, being relatively affordable and accessible compared to other meats, like beef. Indonesian consumers prefer freshly cut chicken over frozen, a preference that has shaped the poultry industry. The poultry sector has emerged as a key component of Indonesia's livestock industry, contributing to approximately 72% of the national meat supply, and employing around 10 million people, many of whom have only primary education. Technological advancements have modernised the industry, particularly in the cultivation sector and farming practices, leading to faster and more efficient production. The government has opened the industry to private business actors, which has boosted investment and created employment opportunities. However, despite this growth, the industry faced challenges related to market concentration. According to the speaker, the market for day-old chicks was highly concentrated, with a CR4 of 63%, indicating high concentration level among the four most prominent companies in the market. A key issue arose when live chicken prices dropped due to an oversupply, leading to financial losses and even bankruptcies for many small-scale farmers. In response, the Ministry of Agriculture took steps to address the oversupply by implementing a policy to reduce the number of parent stocks, and by penalising disobedient businesses.

However, the lack of clarity in how much each company was required to cut resulted in business actors entering into agreements to implement early cutting. This agreement among companies to regulate production led to an increase in the price of day-old chicks, adversely affecting breeders. The Indonesian Competition Commission (KPPU) considered this agreement a violation of competition law and ordered the cessation of such practices. Furthermore, the KPPU recommended that the government should improve its regulations to protect independent farmers and prevent economic concentration in the poultry industry. The KFTC has proposed several key actions: first, the establishment of clear rules based on the principles of fair business competition; second, the reduction of long distribution chains to protect small farmers; third, promoting the use of frozen meat in the community to relieve pressure on the fresh chicken market; and finally, building a comprehensive data system to monitor the balance of supply and demand for chicken meat in the country. Indonesia concluded by reiterating that its competition law not only seeks to promote effective and efficient business activities but also aims to maintain public interest by creating a conducive business climate that ensures healthy competition and equal opportunities for businesses of all sizes.

The **Chair** thanked Indonesia and gave the floor to the **Secretariat** to explain the work of Committee on Industry, Innovation and Entrepreneurship (CIIE)

The **Secretariat**, representing the CIIE provided an in-depth explanation of the committee's role, objectives, and ongoing work. Comprised of policymakers from ministries responsible for economic development, the CIIE has focused on broader

economic efficiency, extending beyond domestic industrial policy. Their priorities have encompassed productivity, business dynamism, global value chains, resilience, as well as the green and digital transitions. The goal has been to ensure that industrial policies foster a healthy, competitive, and productive environment while safeguarding domestic competition and the global level playing field. The representative illustrated this approach through two major CIIE initiatives. The first example involved the Quantifying Industrial Strategies (QIS) project, which measures and tracks industrial policy expenditures across OECD countries. In 2021, the project revealed that countries spent an average of 1.4% of GDP on industrial policies via grants and tax expenditures, with an additional 0.7% spent on financial instruments. Significantly, the share of green industrial policies rose to 16% of total expenditures between 2019 and 2021. Beyond providing useful data, this framework promoted transparency and international collaboration, as exemplified by its use in discussions within the OECD's semiconductor exchange network. The second example focused on the committee's examination of competition dynamics within the EU from 2000 to 2019. Research indicated that competition declined during this period, with trends such as increased market concentration, rising markups, and reduced dynamism among market leaders. Factors like intangible investment, mergers and acquisitions, and regulatory barriers have contributed to this decline, resulting in a "winner-takes-most" dynamic, where the most productive firms capture an increasingly large share of the market. While this trend may initially drive productivity, it risks creating entry barriers, lowering business dynamism, reducing innovation incentives, and slowing long-term productivity growth.

The representative stressed the importance of solutions that address both structural and policy-related causes and derive from various policy areas. The Secretariat concluded by supporting the need for coordinated and holistic government action. This collaborative approach has also been essential for the OECD's committees, including the CIIE and the Competition Committee, and has played a crucial role in fostering such cooperation.

3. Conclusion

The **Chair** expressed concern over the ongoing decline in competition in Europe, despite efforts to integrate competition into industrial policy. However, he noted a hopeful aspect in the increasing cooperation between various policymakers. The conclusion of the roundtable highlighted several key insights. The first point related to the complexity of industrial policy, pointing out that it is multifaceted and must be approached with precision. Second, there was a recognised interface between competition and industrial policies, with the acknowledgement that these policies could naturally complement one another. However, potential challenges may arise, particularly due to the differences between short-term and long-term objectives. The third point was the recognition of how competition authorities' decisions can have long-term industrial policy implications. Additionally, the Chair highlighted the importance of a strong legal framework, as it would facilitate cooperation between competition authorities and industrial policy bodies, exemplified by cases from Korea and Italy. Fourth, the design and use of instruments, such as market studies and proactive or reactive interventions were identified as areas where there may be more scope for action. The discussion emphasised that the design of industrial policy instruments is crucial, and the OECD's Competition Assessment Toolkit was highlighted as a useful starting point for integrating competition into industrial policy.

The Chair concluded by noting the consensus on the importance of the issue, the need to address it, and the value of learning from each other's experiences in crafting legal frameworks and instruments that foster productive dialogue between competition and

industrial policies. The contributions from diverse participants were appreciated for offering various perspectives on how to better integrate these policies. Finally, the Chair mentioned upcoming discussions, including a session on computational tools in antitrust enforcement and another on the intersection between competition and data policy, both of which promise further valuable insights.