



By: Sandeep Vaheesan

Europe should not follow US-style competitiveness



Even before President Donald Trump ratcheted up his demand for US control of Greenland, European leaders were feverishly reassessing every aspect of the transatlantic relationship, from security to trade.

One area of particular concern has been the European Union's supposed "competitiveness" deficit with the United States.

The conventional wisdom nowadays, on both sides of the Atlantic, is that Europe can no longer keep up.

The US, for example, boasts most of the world's tech behemoths. It is also home to nine of the world's ten **most valuable companies** (with the Taiwan-based chip producer TSMC the only exception).

But there is more to economic success than market capitalization. One problem with the prevailing narrative on "competitiveness" is that it treats competition as a one-dimensional quantity that can be dialed up or down.

In reality, competition has a qualitative component, and can take many forms, only some of which are socially advantageous.

When we think of competition, we typically think of a constructive version of it, in which firms make sales and capture market share by offering attractive prices or delivering new and improved products.

After Apple introduced the iPhone in 2007, other firms worked to develop smartphones with similar features, but at a lower price point. This sort of competition has clear benefits for consumers.

Pernicious forms of competition

But competition can also take more pernicious forms. For example, firms may deceive the public with false claims about their products or those of their rivals.

Soon after Apple launched the iPhone,

propelling a revolution in wireless communications, Volkswagen built up a large market for diesel passenger cars in the US.

It marketed these vehicles as "**clean**," even though they did not meet US environmental standards and worsened air quality in many places. For years, Volkswagen **profited** from this deception.

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Facebook and Google became digital advertising giants by systematically surveilling users to develop detailed profiles of them, while minimizing transparency and user control.

This enabled them to direct advertising and other content with greater precision than traditional media could.

As pioneers of the "gig economy," Uber and DoorDash grew rapidly not just by making it more convenient to hail rides and order food, but also by **misclassifying** their workers as independent contractors, thereby avoiding their legal responsibility to pay drivers minimum wage and to provide overtime pay and benefits.

Both firms also came **under fire** for altering their app designs to discourage tipping – an action that proved very costly for delivery partners.

AI firms cannot be certain of legal impunity

World-leading AI firms like OpenAI train their large language models using the work of artists, writers, musicians, news media, and

other copyright-holders, without obtaining consent or offering compensation.

The models can reproduce these copyrighted materials as their own output. As one **tech lawyer** admitted, such behavior is fundamental to the LLM business model, meaning that firms attempting to compete in this sector continue to replicate these violations.

To be sure, AI firms cannot be certain of legal impunity. Several **copyright lawsuits** have been brought against OpenAI and other top firms, and the US Copyright Office tentatively concluded last May that some appropriations of copyrighted materials by LLMs are not protected by the fair use doctrine.

But these firms have so far faced limited consequences for these violations, beyond **settlement payments**. And they remain a pillar of US “competitiveness.”

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Then there is the widespread pursuit of mergers and acquisitions, which have enabled a handful of US firms to gain control over a huge swath of the global economy.

Major US tech companies have acquired hundreds of firms over the past quarter-century, in order to shore up or extend their market dominance.

Mergers and acquisitions are easy (not to mention lucrative) for executives, especially compared to what legal scholar **Carl T. Bogus** describes as “the hard, sustained, and often prosaic work of improving one’s business.”

Scofflaw behavior and mergers and acquisitions by already-large corporations hardly amount to a model of competitiveness worth emulating.

Reducing dependence on an increasingly hostile US

But European leaders continue to accept the premise that, to succeed in the 21st century, the EU must reshape its economy in America’s image.

This belief is apparent in former European Central Bank President **Mario Draghi’s** much-discussed 2024 report offering recommendations for improving Europe’s competitiveness, many of which EU leaders are seeking to implement.



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A better approach would not promote any version of competition, but rather encourage firms to compete and succeed in ways that produce broad-based benefits, such as by providing more useful or affordable goods and services to consumers or by advancing the green transition.

In China, as the Financial Times **reported** last year, vigorous competition between electric-vehicle-battery-makers BYD and CATL drives progress in developing EVs with longer driving ranges and shorter charging times.

Antitrust enforcers have a critical role to play in this process. When US authorities blocked AT&T from acquiring T-Mobile in 2011, the smaller wireless carrier did not fail, as some predicted.

Instead, **T-Mobile** invested in its own network

and offered more attractive terms to customers, unleashing a healthy competitive dynamic in the US market.

The European Commission should treat competition law as a critical tool for reviving economic dynamism and fostering the growth of European firms, thereby reducing dependence on an increasingly hostile US.

Through more expansive interpretations of existing legal authorities, policymakers should impel businesses to redirect their strategies from illegal and damaging tactics toward the expansion of productive capacity and investment in research and development.

It is a lesson the US would also benefit from learning. Although the Trump administration is treating antitrust enforcement as just another vehicle for corruption, many state attorneys general still want to enforce the law aggressively.

They should recognize that effective competition policy can deliver abundance for everyone, instead of scarcity for the many and mindboggling riches for the few.

Sandeep Vaheesan is a legal director at the Open Markets Institute.