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Headline: The GE-Honeywell Fiasco: Where to Go from Here

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Shortly after General Electric Co. and Honeywell International Inc. announced their intention to merge last fall, I suggested that the new Administration in Washington support an initiative to bring potentially diverging national antitrust policies closer together (BW--Nov. 13). After all, transnational mergers had been getting bigger and more complex; the existence of over 60 different antitrust systems was forcing global companies to jump through too many regulatory hoops; and the risk was rising that national policies would move in different directions, putting a wrench in the wheels of global investment. Now that the GE- Honeywell deal has collapsed, the urgency of moving toward a more coherent global system for mergers has only increased. The next major flash point could be the European Union's antitrust judgment on Microsoft Corp. An opportunity to get in front of these problems is coming up at the July 20 Group of Seven summit in Genoa.

There have been too many unproductive post-mortems on the failed merger and not enough attention to what should happen now. Some critics wonder, for example, whether GE Chairman Jack Welch tried to arrange the deal too quickly and without enough regulatory due diligence. But a number of megamergers, such as Boeing-McDonnell Douglas, Daimler-Chrysler, and AOL-Time Warner, passed muster with Washington and Brussels, and Welch had every reason to believe the GE- Honeywell deal would succeed.

Some U.S. antitrust experts criticize the EU for favoring a policy that gives more weight to protecting homegrown corporate interests rather than consumers. But the Europeans argue that to safeguard consumers, they need to ensure a marketplace of many rivals. In any event, the EU approach is deeply rooted in legal procedures and institutions that differ from those of the U.S. Charging that this emerging economic superpower is wrong and the U.S. is right is a political dead end. Both sides need to find common ground.

A few U.S. senators have accused the EU of being protectionist. These tend to be the same ones who are strongly supporting building a wall around the U.S. steel industry.

Moreover, in the evolving world economy, there are several thorny questions for which no national system necessarily has all the right answers. How should antitrust policy deal with the bundling of services and products, an issue that has arisen not only with GE but with Microsoft? How should officials think about the tendency for monopolies to arise so quickly in technology-based industries? When national antitrust authorities think about their jurisdiction, what is the legitimate geographical scope?

Most important, we should look ahead. The failed GE-Honeywell deal ought to be a wake-up call that the existence of different national authorities conducting independent investigations according to different criteria is no longer adequate for today's intense global economic integration. The problems could get worse, too. Although the U.S. and the EU collided this time, a future confrontation could involve Japan.

**PREVENTING A CHILL.** A year ago, antitrust officials in Washington and Brussels began to talk about a global forum in which regulators could exchange views on their respective policies and experiences. This is no longer enough. In the wake of the GE-Honeywell fiasco, unless there is some follow-up action, global CEOs are apt to tread much more cautiously, chilling the overall environment for cross-border deals that propel global trade and investment and which amounted to well over \$1 trillion last year. Also, the risks of a widening gap between antitrust authorities in the U.S. and the EU have grown because the Bush Administration appears to favor a more lenient policy than its predecessor, whereas Brussels' activism seems to be gaining steam.

At the G-7 summit, therefore, Bush and his counterparts should agree that it's time for the U.S., the EU, and Japan to adopt a more streamlined and coordinated approach to antitrust. This would include common guidelines for investigations, including standards for transparency and agreed time limits for reviews. Working together within a common procedural framework could help narrow conceptual policy differences by making them clearer and forcing regulators to confront them sooner rather than later.

Leaders should also call for an international commission, composed of government officials, corporate leaders, and legal and financial experts, to assess the feasibility of several far-reaching policy changes. One example

would be to create joint governmental teams to conduct selected antitrust investigations of global mergers. Another would be to establish regional antitrust authorities in Latin America and Southeast Asia to reduce fragmented oversight. The goal would be to enhance competition while avoiding a regulatory nightmare.

Rather than treat the GE-Honeywell episode as a case study of what went wrong in the world economy, why not make it a catalyst for a bold step into the future?

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