



Alicante, Spain & Virtual event

Urban Challenges and Sustainable Technological Revolution



Special Session Proposal

Digital platforms and a new sustainability-fostering anti-trust and regional industrial policy

Chris Pitelis

International Business Department and Centre for International Business University of Leeds (CIBUL),
Leeds University Business School, University of Leeds
10-12 Cromer Terrace,
Leeds University Business School,
University of Leeds,
Leeds, LS2 9JT,
C.Pitelis@leeds.ac.uk

Sam Boran Li

International Business Department and Centre for International Business University of Leeds (CIBUL),
Leeds University Business School, University of Leeds
10-12 Cromer Terrace,
Leeds University Business School,
University of Leeds,
Leeds, LS2 9JT,
busslee@leeds.ac.uk

Eleni E. N Piteli

University of Sussex Business School, University of Sussex, U.K.
9SL, Jubilee Building, Falmer,
Brighton BN1 9SN
E.E.N.Piteli@sussex.ac.uk

KEYWORDS: digital platforms, anti-trust/regional industrial policy, international business, sustainability

JEL: L4 (Antitrust Issues and Policies), L5 (Regulation and Industrial Policy), O25 (Industrial Policy), F23 (Multinational Firms, International Business)

Abstract

Despite long debates and significant progress, extant perspectives on anti-trust and regional industrial policy underplay the role of internationalisation and the multinational enterprise (MNE). In addition, extant policy pays little attention to the emergence and role of digital platform-based international oligopolies. Despite an increasing focus on sustainability moreover in both academic and policy circles, anti-trust and regional industrial policies are not geared towards this objective, within and across nation states. In this paper, we seek to explore the implications of these major omissions and propose an anti-trust and place-based regional industrial policy that fits today's evolving global landscape and scholarly thinking and helps foster global sustainable value co-creation.

We first argue that anti-trust policy should be placed within a broader conceptual framework that accounts for the role of ecosystem-based competition and cooperation (co-opetition) on sustainable value creation. In this framework, a policy that discourages the acquisition and exploitation of market dominance is maintained, strengthened, and extended to account for embedded and sustainability-thwarting 'power structures' by individuals, nations, and groups of nations ([Pitelis and Piteli, 2022](#)).

The particularities of digital platform-based competition and cooperation introduce several important considerations. First in several cases intra and international oligopoly can be achieved at a faster rate and importantly without the necessary use of traditional FDI ([Guillén, 2021](#); [Kenney and Zysman, 2016](#); [Nambisan, 2022](#); [Rong et al., 2022](#); [Stallkamp and Schotter, 2021](#)). Digital platforms can employ more market-based internationalisation strategies (such as exports instead of Foreign Direct investment-FDI), to expand cross-border ([Curchod et al., 2020](#); [Hennart, 2014](#); [Knight and Cavusgil, 1996, 2004](#); [Monaghan et al., 2020](#); [Stallkamp and Schotter, 2021](#)). This entails lesser commitment and investment to localities. It also renders regulation harder hence the perceived need by policymakers to build regional and national alternatives. This, in turn, can bring about protectionism in the form of national digital champions, as the chosen alternatives of some states, such as China and Russia. Protectionism can undermine competition and innovation and is comparatively inferior in terms of global value co-creation. It can also help transfer extant and co-created resources from worse-off to better-off countries, firms, and localities, just like strategic trade policies ([Pitelis and Piteli, 2022](#)).

The business model of many a digital platform firm is based on profiting from advertising and/or a cost leadership, or value for money-type strategy ([Pitelis and Taylor, 1996](#)), not a price charged for their services. This helps create several negative externalities and renders a focus on price alone inadequate ([Khan, 2017, 2019](#)). The numerous discussions and specific proposals on how to deal with digital platform-based market power, include self-restraint, rules, regulation, competition/coopetition, and level playing field. In this paper, we add several new policy recommendations for anti-trust and place-based regional industrial strategy for the era of digital platforms. We review place-based regional industrial strategies, propose strategies that help increase the value capture potential of reason regions and act as a means of levelling the playing field between digital platforms and regions ([Alcácer et al., 2016](#); [Bailey et al., 2018](#); [Nambisan et al., 2019](#)).

We observe that the above should not downplay the high value that is also generated via digital platform firms. The key point is that digital platform-based oligopolies should be subjected to the same rules, regulations, and competition as all other firms and that the localisation strategies of regions should be aiming to level the playing field and optimise in terms of aggregate value co-

creation ([Bailey et al., 2018, 2020](#); [Mahoney et al., 2009](#)). Among others, the above entail calculating the true prices charged for their services should be calculated, and their negative externalities internalised, nationally and inter-nationally. Conflicts of interest that are embedded within the business model should be considered. Negligence and duty of care considerations should be part of the debate. The internalisation of external diseconomies should be a key benchmark to assess whether and to what extent value is added. In many a case, once environmental, economic and social externalities are considered, net value added may be very small or negative.

Unlike the conventional focus on prices and static competition, our approach and suggestions focus on dynamic competition, cooperation, and innovation ([Petit and Teece, 2021](#); [Pitelis, 2022](#)). A limitation of this paper is that anti-trust and regional policy requires limited government failure. However, this cannot be assumed. We propose the strengthening the commons as a key prerequisite for an effective anti-trust and place-based regional industrial strategy for sustainable value creation and explore the conditions for this to become possible.