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Fearless: one of Vestager's first moves as commissioner was to order Apple to pay €13bn in tax in 2016

The woman who tamed Big Tech

Once dubbed “the worst politician in Denmark”, Margrethe Vestager is now the EU commissioner whose mission is to hold Facebook, Apple, Google and Amazon to account. How far can she go?

By Xan Rice

On the last day of November 2017, the snow fell in Brussels. By the evening, a crust of white had settled on the crown of Godfrey of Bouillon, the 11th-century crusader whose statue dominates the Place Royale. Not far away, people filed into a concert hall at the Palais des Beaux-Arts, renowned for hosting great conductor-composers such as Stravinsky and Rachmaninov. However, they were not there to listen to music; they had come to hear Margrethe Vestager, the EU commissioner who has been called the “most powerful woman in Europe” and whose mission is to hold to account the world’s biggest technology companies.

Since 2014, the arts centre has hosted an annual series of debates about the future of the EU. These have been notable both for reflecting the sense of crisis on the continent – the themes have been “Reinventing Europe”, “Now or Never”, “Last Chance” and “The End of Europe?” – and for the quality of the speakers, one of whom was Emmanuel Macron, who appeared in 2014 and 2016, while he was France’s economy

minister. Vestager, who is 49, shared the stage with Macron both times.

Vestager (pronounced Vest-ayer) was little known outside her native Denmark when she became Europe’s commissioner for competition three years ago. The EU was already investigating tech companies including Google and Apple for abusing their dominant market positions or their tax structures. But Vestager, who is eloquent, charming (she smiles *a lot*) and supremely confident in her convictions, quickly concluded that more decisive action was needed.

In January 2016, she hosted Apple’s chief executive, Tim Cook, in her Brussels office to discuss concerns about the company’s tax affairs in Ireland, where it had subsidiaries that handled its sales outside the Americas. Cook reportedly tried to lecture the commissioner and talked over her repeatedly. Neither the tone nor the message were appreciated by Vestager, who has said that “some of the rich and the powerful” of the world are playing the public “for fools” when it comes to tax.

“There’s no economic rationale behind the way some of these companies are set

up,” she told me when we met in her tenth-floor office in the Berlaymont, the vast cruciform headquarters of the European Commission in Brussels. “It’s not to serve the purpose of the company; it’s to serve the purpose of avoiding tax.”

Seven months after meeting Cook, Vestager ordered Ireland to recover €13bn from Apple, ruling that the government had granted tax benefits to the company that broke the EU’s rules on state aid. Cook denounced the decision as “total political crap”. The US government agreed. So did the Irish authorities. Yet it was hard to believe that Apple, whose revenues for its most recent financial year were \$229bn, did not have it coming. It is possible to admire the iPhone – Vestager likes hers – and also agree that an arrangement enabling the world’s most valuable company to pay a tax rate that was, in effect, as low as 0.005 per cent on its European sales in 2014 was non-political crap. (Apple, which pays most of its tax in the US, handed over \$11.6bn, or 18.1 per cent of its total profits, to the tax authorities worldwide in the year to 30 September 2017.) ▶

► Vestager was just getting started. In May 2017, she fined Facebook, which has more than two billion unique users and is the world's most popular social network, €110m for misleading regulators during its purchase of WhatsApp. In October, it was Amazon – not only the West's largest e-commerce site but also the world's biggest cloud computing company and speaker brand – in the crosshairs, instructed to pay €250m to Luxembourg for the illegal tax benefits it received there. The biggest penalty was reserved for Google, whose founding motto was “Don't be evil”. Vestager decided it had been just that,

be big, and you can be successful,” she said, “but you cannot abuse your power to stop others from challenging you from being the next big thing in five or ten years.”

Competition law can be dry and dull, and so can the commissioners. Vestager, who was born near Copenhagen in 1968, is not. One lawyer in Brussels even designed a trivia quiz for her staff based on Vestager's backstory and habits. What animal toys does she knit as gifts for colleagues? Elephants with big ears to remind them to listen. What does she like to bake?

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hitting it with a record €2.4bn fine for abusing its dominant position in the search market at the expense of smaller rivals.

Not everyone agrees that all the penalties were merited, or that the rulings were strictly in accordance with competition law. The *Economist* has suggested that Vestager has been making decisions to advance her career. Nevertheless, by holding some of the world's largest companies to account and shaming member states into administering corporation tax more fairly, she has achieved that rare feat – inspiring some admiration for the European Commission.

“People look at her and think: hey, maybe the commission is worth having,” said Thomas Vinje, a partner at the law firm Clifford Chance in Brussels, who has represented US clients on both sides of Vestager's decisions. “She communicates far better than any other commissioner I have seen.”

Those skills and her political nous were on display when Vestager – a striking figure of over 6ft tall with close-cropped dark hair – stepped on to the stage for the debate at the Palais des Beaux-Arts. The theme was “Europe: Yes We Can!”, supposedly reflecting the changed mood on the continent in the aftermath of the Brexit vote. This optimism was merited, Vestager said. Economic growth in the EU was up, unemployment down, and Donald Trump and Brexit had brought the other 27 member states closer together. Asked to name her favourite Belgian beer, she noted that the country had more than a thousand beers – but dodged the question. And no, the competition commission was not unfair towards large tech companies. “You can

Cinnamon buns. What hit Danish TV show used her as a model for the lead character? *Borgen*. What does she have in common with Theresa May and Angela Merkel? Their fathers were all clergymen.

Vestager's mother was a clergywoman, too, and the pair of Lutheran pastors ministered to the people of Ølgod, a village on the windswept flatlands of western Denmark. Their door was always open. Vestager remembers waking up as a child to the sound of a car pulling up outside and an exhausted father coming in with the paperwork for a newly arrived child. Sometimes the phone would ring late at night, requesting her parents to come out because something terrible had happened.

“Ours was a never a *religious* religious home, because my parents thought of religion as something you do: it's the way you engage in the local community,” Vestager told me. “That has meant a lot to me.”

At school and at the University of Copenhagen, where she studied economics, Vestager engaged in student politics but never intended to pursue it as a career. When she was 21, she was contacted by officials seeking parliamentary candidates for Radikale Venstre (Social Liberals), a small, centre-left party co-founded by her maternal great-great-grandfather. She agreed to stand, knowing that she would not win but eager to see if she could “tell a coherent story about what I believed in”.

She became the party chairwoman soon after and was appointed minister for education and ecclesiastical affairs in 1998, but Radikale Venstre was struggling when she was made leader in 2007. In the election that year, it won just 5.1 per cent of the vote.

Two years later, it was polling at 3 per cent. There was talk that she was killing the party. Henrik Kjerrumgaard, its head of communications at the time, told me that Vestager's children were asking her: “Is it true that you're the worst politician in Denmark?” He recalls a turning point in the summer of 2009. At the party headquarters, everyone was in a grim mood. But Vestager arrived for work one day in high spirits. Kjerrumgaard asked her why she was so happy. “She said, ‘I have figured out that nobody asked me to be here. If I want to take my carpet and roll it up and leave politics, I can do that. It also means: if I am strong, I can do what I want to do. Being a leader is saying we move in a specific direction and I am going to do that.’”

Vestager's new approach meant talking to everybody yet sticking strongly to her beliefs: she is pro-immigration, pro-gay marriage and pro-Europe, but also fiscally conservative. It worked. In the 2011 election, the party won 9.5 per cent of the vote, its highest share for nearly 40 years. Vestager agreed to form a coalition government with the Social Democrats and the Socialist People's Party, but only after securing for herself the interior and economy portfolios.

Her insistence on cutting welfare payments led to a clash with trade unions. One sent Vestager a fist with a raised middle digit, cast in white plaster, which she kept and christened the “Fuck Finger”. Other parts of the job were more enjoyable. In the first half of 2012, Denmark held the EU presidency; Vestager led meetings, in Brussels, of the Economic and Financial Affairs Council (Ecofin), comprised of finance ministers across the trading bloc. “We had a lot to do, because it was in the aftermath of the financial crisis, so there was a lot of legislation on the banking sector,” Vestager said. Even after her term as Ecofin president ended, she never skipped a meeting. “If you want to be part of the discussion, you have to be there... I really liked it.”

When the then Danish prime minister, Helle Thorning-Schmidt, who was leader of the Social Democrats and is married to the Labour MP Stephen Kinnock, needed to nominate someone to the European Commission in 2014, Vestager was the choice.

Each member of the EU has one commissioner, with portfolios that are similar to that of a national government minister, such as trade, or transport. Commissioners spend much of their time trying to convince their colleagues and governments of the merits of their proposed policies. The competition commissioner has a great deal more autonomy than the others. She has both investigative and



Margrethe Vestager (r) in 2012 with the former Danish PM Helle Thorning-Schmidt and Annette Vilhelmsen (l) of the Socialist People's Party

decision-making powers: in effect, she is the judge, jury and executioner.

“The competition commission is seen as the crown jewel of the European Commission’s work,” said Peter Guilford, a previous competition spokesman who is the chairman of GPLUS, a public affairs firm in Brussels, when we met for coffee. “All the best officials want to go there and the other commissioners tend to rally around the person. They don’t have all the crap that other commissioners have to deal with.”

Vestager arrived in Brussels determined to stamp her style on the job. She redesigned the commissioner’s office to make it more like a living room, with carpets on the light-wood floor, a blue-grey sofa and coffee table, and modern artwork and cloth butterflies made by Tibetan orphans on the walls. Next to her desk there is a symbolic wooden stepladder: “A woman who wants to go places needs to bring her own ladder,” she has said. Numerous photos of her family – her husband, Thomas, a maths teacher, and their three daughters, aged 14, 18 and 21 – sit on top of a low filing cabinet.

Jens Thomsen, who wrote a book about Vestager’s first 100 days as commissioner, told me that she chose the narrow meeting table that bisects the room so she would be close to her guests when they sat opposite her. Rather than sending an aide to escort visitors from the waiting room to her office, Vestager collects them in person, as she did with me. “She’s very shrewd – more than she may appear,” Thomsen said.

After we sat down at the narrow table, I asked Vestager what she considered to be the main purpose of the competition commission. “In these years where you have

increasing concentration in almost every sector, the consumer feels smaller and smaller because the businesses they deal with become bigger and bigger,” she said. “And you have digitalisation, which makes people feel increasingly less in control of their data, of who they are dealing with, what happens when they have done their deals. I think antitrust and competition law enforcement can play a role to say, ‘Well, we are actually watching to empower you still to be a consumer with buying power.’”

Part of Vestager’s job is to smash cartels, such as the car parts manufacturers who colluded to maximise profits in the EU and have been fined €1.6bn, and to approve or block mergers. But the 900 staff under Vestager have spent much more time looking at the technology sector than under previous commissioners.

IT companies have always attracted scrutiny because of their potential to dominate a particular sector. In 2004, the EU fined Microsoft €497m for anti-competitive behaviour and, five years later, hit Intel with a €1.06bn penalty, then the largest ever. But at that point Big Tech was only Medium Tech. The five largest global companies in March 2009 were ExxonMobil, PetroChina, Walmart, the Industrial and Commercial Bank of China and China Mobile, according to the consulting firm PwC. Today, they are Apple, Alphabet (the parent of Google), Microsoft, Amazon and Facebook. It is not only the size of the tech giants that concerns regulators. “They are shaping our societies,” said Vestager, “so that’s one of the reasons it’s a priority to look at digital issues.”

Vestager has witnessed a backlash against technology firms in her own family. Her

eldest daughter is on a “sort of digital detox”. “She says it disables her ability to concentrate. Also, when you’re with other people, you should be with other people and not with someone by your phone. And I like that very much.”

Vestager says she is a “tech optimist” – she is active on Twitter, with 230,000 followers, and has two smartphones. Yet she is also a “curious user”, and experiments with different services, such as the DuckDuckGo search engine, which does not track its users. “Back in the day, everyone was talking about cookies. Now this is so old-school, and everyone is talking about tracking, how to deal with it, what comes out of it. It’s very interesting.”

Few technology companies are better at tracking users than Google, whose share of internet searches exceeds 90 per cent in most EU countries, and whose business practices have sparked several investigations by the commission. The most prominent of these related to Google’s “shopping” service, which competitors in the US and Europe said unfairly discriminated against them. When you search Google for a product, the company’s own price comparison results appear at the top of the page, before the search results. Rival price comparison services, meanwhile, were demoted well down the list of results, according to the complainants.

The commission agreed that Google had abused its dominant position and sought unsuccessfully to reach a settlement with the company. When Vestager took over the case, in 2014, she poured additional resources into the investigation before slapping the company with the €2.4bn fine. Google is appealing the decision. “Of course it would have been better if this case had been solved fast, because then everyone could move on,” she said. “Now, that was not doable, so we had to find another direction.”

Writing in the *Harvard Business Review* this summer, Bala Iyer, Mohan Subramaniam and U Srinivasa Rangan argued that competition law needs to be updated for the digital age. Tomorrow’s monopolies would not be judged only in terms of how much they sell, they wrote, but also how much they know about us and how much better they can predict our behaviour than their competitors.

Vestager agrees. “This is a way of saying that data becomes an asset. There’s no such thing as a free search or anything like that, so obviously you pay, and your payment then becomes an asset... We look very closely ▶

▶ at these issues. We haven't had a big data case yet... but we try to look very carefully."

Fairness is a word that Vestager often uses, especially where it pertains to tax. Under EU law, a government can set its tax rate as low as it likes so long as it's the same for all companies. But approving tax schemes that only benefit certain corporations – usually a multinational corporation that the country is trying to woo – is illegal under EU "state aid" regulations.

The largest, most egregious state aid cases have involved technology companies – Apple and Amazon. Yet other global firms have also been caught out. In 2015, Vestager ruled that the Netherlands and Luxembourg had granted selective advantages to Starbucks and Fiat respectively, and ordered the companies each to pay between €20m and €30m in back taxes. A few months later, she instructed Belgium to recover €700m from 35 multinationals. McDonalds, Ikea and the French energy company Engie are also under investigation over their tax affairs.

The UK has not escaped scrutiny. Last autumn, Vestager announced that she was looking into a government-approved scheme called "group financing exemption" that might allow multinationals to avoid tax.

"Everyone is talking about the small and medium-size businesses being the backbone of the European economy. Well, they're also the backbone of public budgets, because it's the smaller companies who pay their taxes, it is small earners who pay their taxes," Vestager said. "I think it is unfair that many contribute, but not all are contributing, because everyone is benefiting from what makes a decent society: roads, digital infrastructure, health system, education. And none of these come for free."

Towards the end of my interview with Vestager, I asked where the "Fuck Finger" was. "Behind you," she said, pointing to the coffee table. "It's there so people don't have to see it, because most people don't like it – they don't know where to look. But it's not for them, it's for me. I need to be reminded that there will always be someone who disagrees with me, and that is their right, and sometimes they will be correct." The big tech companies she has penalised believe that they will eventually be proved correct in court, and some legal experts in Brussels agree. "With state aid, she's stretched the law and it's quite possible she will lose," one lawyer told me.

Charles Grant, the director of the Centre for European Reform in London, said that he supported the EU's tax crackdown

and the way that Vestager is standing up to the technology companies. "On the other hand, it's also true that Germany sees the commission as a vehicle to protect its own digital industries. So how much of this is principle, and how much is to protect local industries?"

Andrea Renda, the head of regulatory policy at the Centre for European Policy Studies in Brussels, also had a nuanced view of Vestager's achievements. "Consumers will say, 'I trust her, she's strong,' and the general view of her is positive. Mine is a bit

It has been suggested that she could be the next EC president

more mixed, because she lacks transparency. She needs to explain more in terms of competition law why she is doing things."

Irrespective of the strict merits of the cases, Vestager has won praise and respect for advancing the debate about how to regulate technology companies in the 21st century. "Digital penetration of markets and our lives gets greater every day," said Georgios Petropoulos, a fellow at the Bruegel economics think tank in Brussels. "We have to establish some red lines about behaviour."

Vestager's term has nearly two years left to run. One of her biggest ongoing investigations relates to Gazprom, the Russian energy giant that supplies about a third of the EU's gas – Germany is the biggest buyer – and that stands accused of overcharging and restricting its customers' ability to sell gas across borders.

Other large cases currently under way involve Google, again. Competition officials are investigating whether its Android mobile operating system has built-in monopolies, and whether the AdSense program

unfairly blocks competitors from advertising on third-party websites.

Speculation over Vestager's next move is mounting, and although she can serve a second term, it's clear that her interests and, seemingly, her ambition, extend beyond competition. She was animated talking about Brexit. "None of us took it for granted that it would be Remain, yet when [the Leave victory] happened, it was awful, because... we really have been doing our best to accommodate the interests of the Brits in European democracy. So it was an avalanche of cold water, not just a bucket.

"But then, it's always good advice from your mother: sleep on it, the next day things look different... We're 27 [member states], and we have something going for us, and we have citizens who expect us to make it work: handling illegal immigration, protecting refugees, handling climate change, enabling jobs to be created. Let's move on."

There has been talk that she could succeed Christine Lagarde as head of the International Monetary Fund. In Brussels, however, it is the suggestion that she may follow Jean-Claude Juncker as president of the European Commission when he stands down next year that has got people excited.

Politico reported in November that Emmanuel Macron had told officials that Vestager was his choice for the commission's top job. They are mutual admirers. When I asked Vestager about the French president, she said: "I think everyone who has met him would say he is amazing. Not only for his education, but the way he engages with people."

The EC presidency may be a long shot. Denmark is not in the eurozone, and Vestager is part of the Liberal political group in Brussels, only the fourth-biggest alliance. Her decision to investigate the tax breaks granted by governments to multinationals may also have created some ill will towards her.

"Frankly, I think she would be great," said Alec Burnside, a competition partner at the law firm Dechert. "To take on these people and cases, to withstand the fury of the US tech industry and government: that's a ballsy thing – if that's the right term – to have done."

Margrethe Vestager has not confirmed an interest in the presidency – but neither has she denied it. On the stage at the Palais des Beaux-Arts on 30 November, her interviewer remarked that a local newspaper had a story that day suggesting that she may be the next president of the EC. Vestager smiled. "I have learned that European politics is very much like Danish politics," she said. "You have all the rumours." ●

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"He's trying to build political consensus."