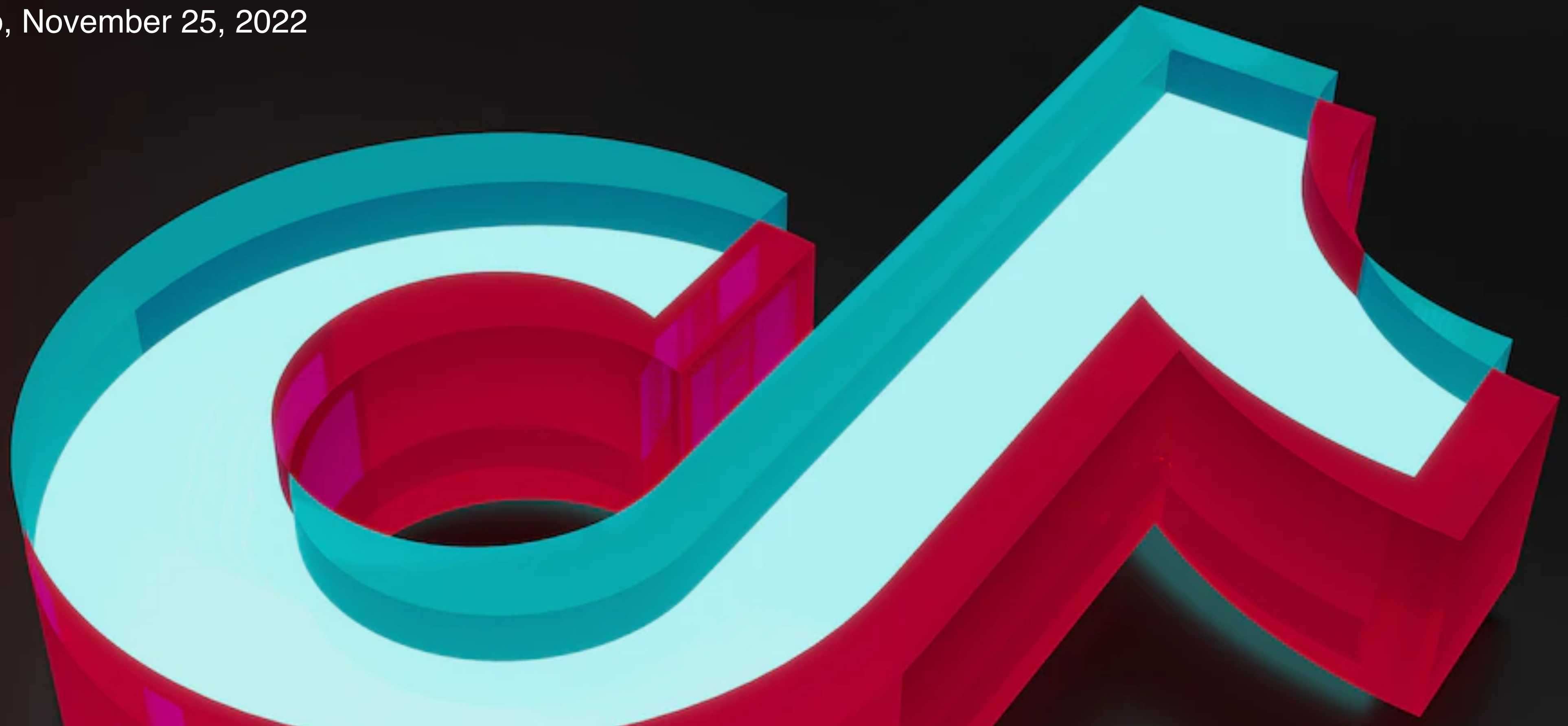


ENFORCEMENT GAME: HYPOTHETICAL MERGER REVIEW

ELON MUSK MERGES WITH BYTEDANCE

BRICS Working Group on the Digital Markets
Rio-de-Janeiro, November 25, 2022



ELON MUSK'S PROTO-ECOSYSTEM

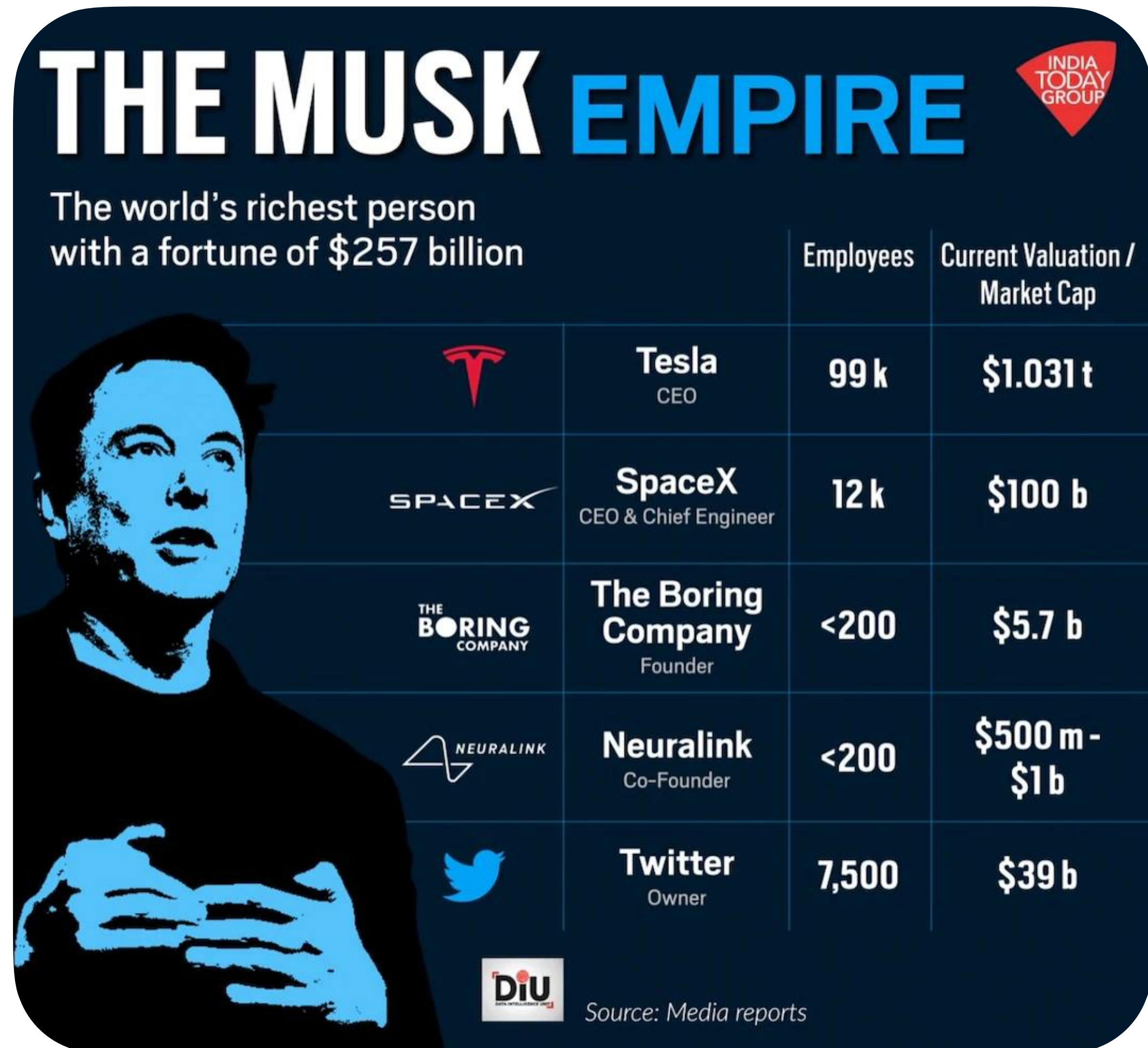
Musk completed the acquisition of Twitter in October, 2022 for \$44 bln.

He offered his vision of Twitter's future transformation including turning it into a super app, like WeChat

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The reason I acquired Twitter is because it is important to the future of civilization to have a common digital town square

Musk wrote in a letter addressed to Twitter advertisers.



BYTEDANCE IS A SOCIAL MEDIA EMPIRE

and has been rapidly expanding into new markets



THE MERGER WOULD HAVE CREATED SIGNIFICANT SYNERGIES BETWEEN THE ECOSYSTEMS

- **In data:** merging data from ByteDance and Twitter creates an unprecedented data pool to fuel the new merged ecosystem
- **In technology:** algorithmic research and AI; self-designed chips (for both ByteDance and Tesla); satellite technologies
- **In investment:** investment boost from Musk's rich financial opportunities
- **In market outreach:** TikTok and Twitter together create dominance over channels of content distribution in many regional markets, not to mention global ones

Horizontal, vertical and conglomerate effects all possible

POTENTIAL EFFICIENCIES:

- one stop-shop: Twitter's integration with TikTok and introduction of e-commerce features and gaming
- more opportunities for SMEs and advertisers
- innovation boost for both parts of the new ecosystem

Theories of harm: harm to innovation, tying and bundling, leveraging of market power?

RELEVANCE FOR THE BRICS COUNTRIES

- India and Brazil are among the top countries with the largest Twitter audiences
- In the global gaming market, ByteDance tops app stores in downloads
- TikTok is available and highly popular in all of the BRICS+ countries (and has a Chinese counterpart)
- Tesla has presence (or plans to expand) in most of the BRICS+ countries

Territorial nexus: even if the merger goes below the national benchmarks, potential entry should be considered

This global merger can have effects for the BRICS national markets due to disruptive consequences for technology and innovation

IS THERE A POTENTIAL FOR THE BRICS COOPERATION?

To what extent would harmonization be desirable?

PERSPECTIVES AND CHALLENGES

- requirement to coordinate with national sectoral regulators
- review timelines might be different
- waivers of confidentiality
- general regulation of cross-border information exchange
- ease of informal exchange
- lack of human and financial resources
- path dependence in merger review

POTENTIAL REMEDIES DESIGN

- a joint BRICS trustee
- order to keep certain businesses separate (e.g. Twitter from TikTok)
- transparency obligations in algorithms and key technologies
- licensing of certain intellectual property
- blocking some businesses from entering the local markets or entry on conditions
- social responsibility obligations (e.g. Chinese Alibaba decision)
- clearance without remedies