

## **The Improvement of the Competition Status in China**

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China is currently experiencing a transitional period and stepping out of the old planned economy mechanism, where market competition had almost been suffocated. With the establishment of socialist market economic system in China, market is taking a more and more significant part in China's economy. Accordingly, the consciousness of competition and risk taking has been instilled into many Chinese companies and enterprises. Chinese government has as well attached great importance to appropriate competition in the development of a healthy economy. Decisions on Several Issues on the Perfection of Socialist Market Economic System, adopted by the 3rd session of the 16th Conference of the Communist Party of China in October 2003, advocates the role of market in resource allocation to accelerate reforms in monopolized sectors and in the establishment of a unified, open and competitive modern market economy.

In order to improve its competition status, China has taken positive stance in the legislation, the law enforcement as well as the international cooperation in the competition field.

### **I. Proper Legislation to Create a Favorable Competition Environment**

Proper legislation is the prerequisite of a favorable competition environment. China has enacted a series of laws, regulations and rules to safeguard market competition and protect market order. Some of them are of most importance and provide guidance to our work, such as the Law of People's Republic of China against Unfair Competition (1993), the Law of People's Republic of China on Protection of Consumers' Rights (1994), the Price Law of People's Republic of China (1998) and the Bid and Tender Law of People's Republic of China (2000); also the Regulations of the State Council on Prohibition of Regional Blockage in Market Activities (2001), the Temporary Rules on the Acquisition of and Merger with Domestic Enterprises by Foreign Investors (2003) and the Provisional Rules on Prohibition of Price Monopoly (2003). The promulgation and enforcement of these rules have greatly improved the competition order in the market. The Ministry of Commerce (MOFCOM) is accelerating its speed to draft the Anti-Monopoly Law of the People's Republic of China.

### **II. Strict Enforcement to Guarantee Good Competition Order**

#### ***I. Measures against Industrial Monopoly***

To handle the issue of industrial monopolization, China has carried out reforms in the public enterprises dealing with electricity, railway, civil aviation, telecommunication, gas /natural gas, water supply, heat supply and so on, and has made positive progress. The electricity industry has formed a legal system on electricity based on the Law on Electric Power and supplemented by relevant administrative and local regulations. Also the Law on Railway, Law on Aviation, the Regulations on Telecommunication and the Rules on Foreign Investment in Telecommunication Enterprises have strongly advanced the reform and the development of the above sectors.

Take China's telecommunication industry for an instance. During the period of planned economy, telecommunication had long been monopolized by government. Since the start of telecommunication reform in 1994, by setting up China Unicom, China Netcom, China Railcom and Jitong, the former Posts and Telecommunications Ministry, which assumed the functions of the government authority as well as an enterprise, has been split step by step: first, to separate the functions between the government and the enterprise; next, to separate the function of the post from the telecommunication business; then, the paging service was transferred to China Unicom; henceforth, the mobile service was taken away from China

Telecom. So far, a competitive market has been formed in the telecommunication field, and fierce competitions occur among the six basic telecommunication service enterprises, which are China Telecom, China Netcom, China Mobile, China Unicom, China Satellite and China Railcom, as well as the over 4000 enterprises engaging in value-added services and wireless paging services.

Since 1999, China has launched a widespread combat against public utility enterprises and other operators with monopolistic status who abuse their monopolistic status to restrict users and consumers only to buying and using goods or services produced or marketed by the designated operators. According to our statistics, only from 1999 to 2001, Chinese government at different levels had handled, throughout the country, 2815 law-breaking restrictive competition cases of monopoly industries.

## **2. *Measures against Regional Blockage***

In response to the regional blockage phenomena, Chinese government has taken many measures. The State Council has, since 1980, promulgated a dozen of administrative regulations, among which the most important ones are Regulations on Prohibition of Regional Blockage in Market Activities (2001) and Decisions on Improving and Regulating Market Order (2001).

Aiming to effectively implement the Law against Unfair Competition and other provisions concerning anti-monopoly and to solve the problems emerging in anti-monopoly administrative enforcement, Chinese central government, in light of the provisions against administrative monopoly in the Law, has promulgated 34 administrative interpretations. 25 provinces, municipalities and autonomous regions have enacted local anti-unfair competition regulations. All these measures have greatly facilitated anti-monopoly enforcement.

## **3. *Legislative and Enforcement Institution of Competition Policy in China***

In accordance with the stipulations of the State Council of PRC, the Ministry of Commerce takes charge of the policies regulating market order and breaking down market monopoly and regional blockage, so that a unified, open, competitive and orderly modern market system is aimed to be established. The State Development and Reform Committee is responsible for the making, enforcement and supervision of price policies. The State Administration of Industrial and Commerce is in charge of countering unfair competition and consumer protection.

## **III. International Cooperation to Foster Competition Culture**

China is now seeking for more international cooperation to improve its competition status, and has participated actively in both bilateral and multilateral cooperation in the competition policy field. China has played an active role in the WTO working group on trade and competition, and has started bilateral cooperation with other economies. For example, a dialogue between EU and China has been initiated recently and we would appreciate if could be offered the opportunities to learn the precious experiences from our EU colleagues. And capacity building and information exchange will be the basis of our cooperation in this field.

Great achievements as China has made in the competition field, we can see there is still a long way to go. And we believe, by self-improving and learning from other economies, China will have a brighter future with a fully competitive market and a healthily developed economy.