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Importance of Competition Law and Policy to the Chinese Economy

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Support to China's Sustainable Trade and Investment System

支持中国可持续贸易和投资体系

Foreword

- It was indicated in *Decisions by CPC on Some Major Issues in Building a Harmonious Socialist Society* issued in 2006 that "Social harmony is the essential attribute of socialism with Chinese characteristics and the important guarantee for country's prosperity, national rejuvenation and people's happiness."
- It is raised in the *Decisions* to adhere to the reform direction of the socialist market economy, to strengthen the construction of socialist democracy, to advance the legalization and regulation of the national economy, politics, culture and social life, to form a social equity security system and to promote social fairness and justice.
- Antimonopoly Law, as the core system to maintain the market competition order, plays an essential role in the process of constructing a harmonious society and promoting the national economic development.

Antimonopoly Law and Consumer Welfare

- One important goal of constructing a harmonious society is to build a moderately prosperous society in all aspects and improve the social welfare. Antimonopoly law plays beyond any doubt a central role in improving the social welfare and consumer welfare.
- The important role that Antimonopoly law plays in the social welfare results from the fact that Antimonopoly law protects the market competition.
- Based on the experience of market economies, only the pressure of market competition may motivate the enterprises to strive to reduce costs, improve quality, and develop new technologies, new products and new processes to satisfy the demand of consumers.
- Competition is a dynamic process. From the microscopic point of view, this process can improve the enterprises' market efficiency and consumers' social welfare. From the macroscopic point of view, this process is a process in which the enterprises constantly relocate the funds and techniques, and optimize the allocation of resources, to adapt to market changes.

Antimonopoly Law and Consumer Welfare

- In the past 30 years after China's reform and opening up, people's standard of living underwent great changes. It is impressive that competition has changed the consumers into "God" and brought them tremendous social welfare.
- However, the market is incomplete and does not have a mechanism to maintain fair and free competitions.
- Facts show that the enterprises tend to seek monopoly so as to reduce pressure of competitions and avoid risks, for example, cartel limited price, limited production, and division and sales of market. At present, the integration of government administration with enterprise which China's planned economy left over has not yet been completely changed. In China's economic life, there remain serious administrative restrictions on competitions.
- In order to establish a vibrant, efficient and more open socialist market economy, and to achieve a harmonious society and improve social welfare, China needs to develop an Antimonopoly legal system.

Antimonopoly Law and Economic Democracy

- An important goal of a harmonious society is to achieve democracy and democracy, including political democracy, economic democracy, and social democracy. Economic democracy of a harmonious society shall at least be reflected in the following two aspects:
- China shall properly allocate economic power (right) between the government and enterprises, that is, the government's power in the economy shall be restricted, to ensure the enterprises' autonomy in production and management. This means that, as the nation's economic manager, the government should not be directly involved in market competition. Nor should the government impose unreasonable restrictions on competition.
- Just as the enterprises should have the right to participate in the market competition, the consumers should have freedom to choose products and services.
- When the economic power is at the hand of few authorities, market monopoly and unfair trading conditions would be the inevitable results; everyone has the opportunity to pursue economic interests in a fair society, in which transactions are fair, and people's creativity and entrepreneurial spirit can be stimulated.

Antimonopoly Law and Economic Democracy

- As an important legal system of market economy, Antimonopoly law originates from people's strong desire to pursue economic democracy.
- The specific systems of Antimonopoly law are designed to promote economic democracy:
 - Prohibiting cartel is to prevent the enterprises from infringing the interests of consumers through conspiracy;
 - Merger control is to ensure that there remain market competitions;
 - Prohibiting the abuse of market power is to control the enterprises that have achieved dominant positions in the market, so as to avoid and reduce their exclusive and limitative competitions and exploitations of consumers.
 - Fighting against administrative monopoly is to stop the government's abuse of administrative power of restricting competition.
- In China, breaking the administrative monopoly would be extremely significant to the promotion of economic democracy, because the government's restrictions on competition would cause more serious adverse consequences than the enterprises' restrictions on competition.

Antimonopoly Law and Social Justice

- At present, significant differences are witnessed in the profitability of different industries, and the income of workers in different sectors. This is not a result of market survival of the fittest, but the result of sector monopoly and industry monopoly.
- The industry monopoly leads to seriously unfair distribution of social income, so the monopoly enterprises popularly exploit the buyers and consumers with the monopoly power.
- A major challenge of the reform of China's current economic system is to break monopoly, and the fundamental way out is to introduce competition mechanism.

Conclusion

- The reason why the market economy is a superior economic system lies in the fact that this system is able to maintain market competitiveness, and the operators must be flexible enough to adapt to constantly changing market conditions, the result of which is rational and optimal allocation of resources.
- In the market economy, the enterprises have the desire to seek monopoly. Therefore, a nation shall establish a legal system to protect competitions in the market economy.
- Market is not only economical, but also social. The legal system protecting market competition not only can contain and reduce monopoly, but also works as an important legal weapon to achieve social harmony, promote social democracy, and implement a nation's social policies.

Thank you!