



Policy Brief No. 201904

May 27, 2019

本文已发表于 China Daily Global 05/22/2019

鲁桐 : lutong0525@vip.sina.com

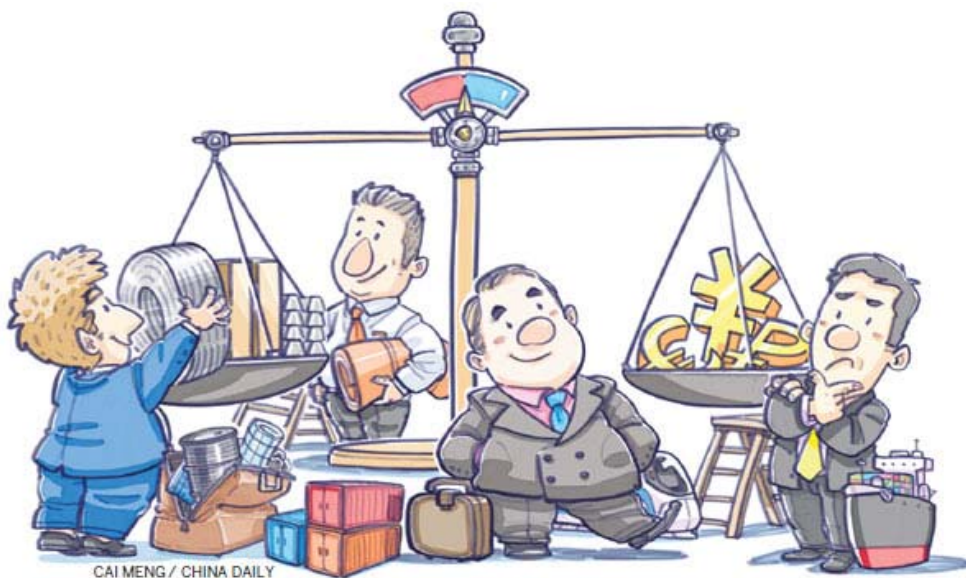
Fair competition put into practice

This year's Government Work Report sent an important signal to the global community that China aims to create a fair market environment based on competitive neutrality

Competitive neutrality is a set of public policies for regulating domestic market order. It means that State-owned enterprises and private businesses compete on a level playing field and that SOEs should not obtain an unfair competitive advantage to the detriment of free trade in such areas as tax, subsidies, debt, supervision and market entrance.

* 作者：鲁桐，中国社会科学院世界经济与政治研究所全球治理研究室研究员

Developed countries began to admit the importance of SOEs in the economy following large-scale privatization in the last century. However, in recent years, SOEs from emerging economies including China have become strong competitors in the global market and their market behaviors are gaining increasing attention around the world. Using the principle of competitive neutrality to regulate the international economic competition order has become a hot spot issue in recent years. Following active promotion by developed countries, the internationalization of the competitive neutrality principle has quickened pace and become an important means for those countries to maintain their dominance in international rules.



Competitive neutrality is a regulatory framework within which public and private enterprises face the same set of rules and where no contact with the state brings competitive advantage to any market participant. In 2012, the OECD unveiled standards for assessing competitive neutrality covering four areas: first, a more complete corporatization of SOEs and differentiated management by category; second, reasonably compensating SOEs for fulfilling certain public service obligations with independent financial accounts and transparent fiscal subsidies; third, maintaining tax, debt, regulatory and government procurement neutrality; finally,



requiring government businesses to earn market-consistent rates of return on commercial activities.

The key challenge facing competitive neutrality is whether, or to what extent, state ownership and the market economy can be compatible. Generally speaking, China's SOE reform is geared toward this direction. Over the 40 years of reform and opening-up, China has chosen a unique path of SOE reform by implementing corporatization reform on SOEs, with the goal to introduce a modern corporate structure featuring "clearly established ownership, well-defined power and responsibility, separation of government administration and enterprise management, and scientific management." The reform pushes ahead with the separation of the government from businesses and the transformation of the operation models of SOEs, with the aim of unleashing more economic vitality.

That said, China's SOE reform is far from complete. SOEs still enjoy preferential treatment from the government, including low-rate credit financing, opaque government subsidies, cheap land and mineral resource renting, favorable tax policies and market access. These practices, which go against the principle of competitive neutrality, not only squeeze the development room for private businesses, but also impede improvement of the operating efficiency of SOEs and their participation in international competition.

As a matter of fact, China has the domestic conditions to build a regulatory framework for competitive neutrality. On June 1, the State Council unveiled a document on establishing a fair competition review system, to "standardize relevant government activities and establish unified, open, competitive and orderly market-oriented systems." Targets subject to review include rules, regulatory documents and other policy measures, such as those on market entry, industrial



development, attracting foreign investment, government procurement, the business code of conduct and qualification standards.

As unilateralism and protectionism prevail, the fundamental interests of China, the world's largest goods trading nation, lie in pushing the global economy toward being more open, balanced, inclusive and beneficial to all. To put the competitive neutrality principle into practice, the following three problems should be solved.

First, state ownership should be regulated to avoid the passive assumption of state ownership and excessive intervention from the state. People are the ultimate owners of SOEs. The government, commissioned by people to assume the ownership rights of SOEs, should make every decision based on public interests and shoulder due obligations and liabilities.

Second, a competitive neutrality framework and implementation mechanism should be established, including competition evaluation, competition advocate and competition enforcement and justice. A review system for fair competition should be advanced and improved, and in international economic competition, China should participate in or lead the formulation and implementation of bilateral, multilateral competitive neutrality rules.

Finally, transparency of SOE management and operation should be further improved to realize the goal of fair competition in the market. The transparency of SOE information disclosure is improving in China and the establishment of a State-owned asset management reporting system has already started.

Nowadays, an increasing number of SOEs are disclosing more information through their official websites or news conferences, receiving wide acclaim from society and the supervisory authorities. Admittedly, the overall transparency of SOE



management and operation still has lots of room for improvement, with information concerning SOEs scattered and opaque. Improving the information disclosure on SOE management and operation not only helps supervisory authorities and society carry out effective supervision, but also contributes to the improvement of SOE management and operation.

责任条款：本报告为非成熟稿件，仅供内部讨论。报告版权为中国社会科学院世界经济与政治研究所全球治理研究室所有，未经许可，不得以任何形式翻版、复制、上网和刊登，如有违反，我们保留法律追究权利。本报告仅代表作者的个人观点，并不代表所在单位的观点。