

**Speech**  
**The University of International Business and Economics (UIBE),**  
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It is an honour for me to address this distinguished audience, which I understand includes the most distinguished competition law and competition economics academics in China.

Being an economist myself, I find competition law to be one of the most interesting forms of economic law. It is a very sophisticated form of regulation which has a very significant influence on the everyday lives of consumers.

I find it particularly exciting to speak about free market competition in a country that has so rapidly developed its socialist market economy to become a world economy to be reckoned with and which is in the process of developing its own competition policy.

I am very impressed with the efforts done by the Chinese legislator in drafting the Anti Monopoly Law and I am glad to see the openness of the Chinese authorities in its numerous consultations with competition experts from the European Union and elsewhere.

Before getting into more detail about competition law, let me recall the importance of China to the EU.

Over the past few years, our economic ties with China have steadily increased. As you know, China's rapid economic development has had a significant impact upon EU-China trade relations, providing the EU with its largest trading deficit with any trading partner. China has become an economic powerhouse and a WTO member, thus opening its doors more fully to foreign trade and investment. European businesses have responded swiftly, investing more than €35 billion in China, most of it since 2001. This investment by EU industry is the clearest indication of our long-term commitment to this market.

However, companies will only continue to make long term commitments if they can operate in a positive business environment.

Openness benefits both Europe and China. In the EU, which has one of the most open markets in the world, we firmly believe that further opening and liberalisation of the Chinese market is the right way to create reciprocal trade and investment opportunities for Chinese and EU operators, and ultimately to strengthen the Chinese economy.

The EU will therefore continue to support China in its efforts to improve protections for all companies through a transparent legal and judicial system.

In order to engage China in all these issues, the EU is seeking to create a new framework with China that can be used to draw the two economies closer together and to engage China on global issues. At the heart of this strategy will be a new Partnership and Cooperation Agreement with China, the negotiations for which were launched in January 2007.

I particularly welcome this negotiation, as this new Agreement will contain a competition chapter where the EU aims to address all areas of competition law *i.e.* anti-trust, mergers and state aids with a view to provide for effective rules, enforcement, and cooperation. Both China and the EU have an interest in ensuring that bilateral trade and investment flows are not adversely affected by anti-competitive practices.

I think that you would agree with me, as a competition enforcer, that there are two main obstacles compromising the benefits of liberalisation: The first ones are *public restrictions* created by governments. The second are the group of *private restrictions*, caused by anti-competitive agreements or coordination of business conduct. A modern competition policy has to address *both* issues and any modern economy needs a comprehensive competition policy.

Competition policy should therefore look for a level playing field enabling domestic and foreign firms to compete on their merits. Competition is therefore an essential part of a modern economic policy. A modern and effective economic policy is one which is designed to ensure that the conditions are in place for industry to prosper in a global economy and for citizens to enjoy the rewards of such prosperity. This simple concept has proven very tough to implement, as we in Europe know from our experience in implementing the "*Lisbon Agenda*", the partnership between the governments of all EU Member States and the European Commission for delivering long-term growth, jobs and the competitiveness of our economy. An active competition policy is an important element in driving the goals of creating growth and jobs.

Competition is important not only for the economy but also for the consumers. Competition affects consumers' wallets. Competition is about a market structure in which companies compete on the merits to the benefit of '*consumer welfare*'. And by increasing consumer welfare, the whole economy is strengthened.

A healthy competitive structure of rivalry among producers ensures that prices are kept at a competitive level, and that innovation is fostered. Consumers are provided with better products, greater choice and lower prices. An effective competition policy therefore leads to competition between companies, innovation on the market, and growth in the economy.

So what constitutes an effective competition policy? The European Union has a combination of competition policy instruments at its disposal

The basic antitrust rules of the EC Treaty - Articles 81 and 82 of the Treaty - outlaw collusion and abuse of market power. The challenge for the Commission in applying these rules is to prioritise its enforcement resources to focus on remedying the most serious impediments to the functioning of markets. Targeted enforcement of this kind - centred on sectors which are key to competitiveness and behaviours which produce the most harmful economic effects - helps to deliver clear benefits for industry.

An example is in our enforcement activity against cartels, which I have made a priority of my mandate as Commissioner. Defeating cartels lowers prices for consumers, individuals as well as business customers.

Another very important aspect of the EU's competition policy is merger control.

Consolidation – including across borders - is a normal response to globalisation. If companies are to benefit from economies of scale or to pool research and innovation resources, they must be able to restructure themselves according to market conditions.

Merger activity is high in Europe currently. We examine all cross-border merger notifications with impartiality and purely on the basis of their potential effects on competition. And where there are no competition concerns, or where these can be counteracted through appropriate remedies, we expect that the mergers go ahead without undue hindrance.

But in some recent cases direct or indirect steps have been taken by national European governments or authorities to frustrate the takeover of what they consider to be important national industrial concerns based in those Member States. The EU's Single Market rules as

well as Article 21 of the EC Merger Regulation clearly ban unjustified measures taken by Member States to prevent cross-border mergers of a European dimension. The Commission has intervened strongly against these unjustified interventions, ensuring that national governments do not hinder the development of the single market.

There is nothing worse for a dynamic economy than unjustified monopolies. We believe in competitive companies regardless of whether they are privately or publicly owned.

That is why, over the last couple of decades, the Commission has spear-headed the liberalisation of certain industrial sectors that were previously either closed altogether to competition, or characterised by pervasive restrictions or impediments (whether public or private), to competition. Opening these sectors has created a “virtuous circle” of increased growth and employment, lower costs for industry, and at the same time lower prices and better choice for consumers. The most obvious examples are the telecoms and airlines sectors, in both of which prices have come down significantly and the range of services has increased significantly as a result of EU-led liberalisation, with direct benefits for European consumers and for European industry.

Last, but by no means least, I'd like to address an aspect of EU competition policy which the EU is pursuing vigorously: the control of State subsidies to industry. My top priority as Competition Commissioner has been a comprehensive reform of our state aid rules. Our objective is to help Member States to spend only as much of the taxpayers' money on subsidies as is absolutely necessary, and to target that expenditure as effectively as possible. So our motto is "less and better targeted state aid".

We look first to the markets to deliver, and only where there are clear gaps does state aid play a role. And it is true that there can be gaps. Properly targeted state aid can complement structural policies by tackling genuine market failures to enable firms and workers to adapt to a rapidly changing economic environment. For example, state aid which is designed to support training or the employability of the workforce can fall into this category.

That is a brief overview of competition policy in Europe. But with increasing globalisation, more and more companies, mergers and cartels are international. As a result, the activities of companies based outside the EU may affect competition within the EU. This has made international cooperation on competition policy essential. By creating tools for bilateral and multilateral co-operation, the European Commission aims to promote international

convergence of competition policy in general, with the aim of ensuring the effective enforcement of the EU competition rules in an international environment and avoiding conflicts with the competition authorities of other countries.

With this background the European Commission initiated a formal competition policy dialogue with China in May 2004 with Terms of Reference which allow the European Commission to provide China with technical assistance.

This was timely, as China was in the process of drafting its first comprehensive competition law covering merger control, all areas of anti-trust and anti-competitive public administrative practices.

As I have mentioned before, I am happy to note that in the process of drafting the competition law, China has shown great willingness to reach outside and seek inspiration from the experience of other jurisdictions. Over these last three years we have had many bilateral exchanges with the Chinese authorities in this respect. And China has invited competition experts from around the world – and in particular the EU – to several workshops to discuss the drafting of the future Chinese competition law.

The advice we gave conveyed to China over this time was straightforward:

- **Fix clear objectives for the competition law and regime:** Focus on what should be the core business of competition legislation; economic efficiency and consumer welfare.
- **Following on from this, the decisions taken by the competition authority should respond to clear competition criteria**
- **A strong and independent competition authority should be established:**
- **Procedural fairness** in the broad sense of the concept should be ensured. The adoption by China of its new competition law is a great step forward. As result, of the excellent work of the Chinese authorities and their open attitude towards experiences from elsewhere, I am sure that this new law will meet commonly accepted international standards.

I am optimistic by nature and therefore confident that over time China's Anti Monopoly Act will mute fears from foreign companies. To take one example, I am happy to see that the provisions on Merger Control are now – unlike in earlier drafts - going to apply equally to both domestic and foreign companies.

Of course, there is still the possibility of exceptions and it is therefore the implementation of the law that is crucial. Let me draw a parallel here with the rules contained in our Merger Regulation which allow Member States of the EU to take appropriate measures to protect legitimate interests. My experience tells me that it all depends on how these rules are enforced and I am confident that if they are implemented with the same restraint as we do, the pessimists that fear that in China competition law may be used as a protectionist tool will prove wrong.

I also build my optimism on the recognition in the Anti Monopoly Law that major industries controlled by the State-owned economy need to be prevented from taking advantage of their monopolistic power to harm consumer interests. It is a very welcome statement, because it shows a clear recognition that Chinese consumers can be harmed by anti-competitive activities, and that Chinese consumers deserve protection.

This focus on consumer welfare, which is also a fundamental feature of EU Competition Law, shows that China is making a great effort towards building a modern competition culture which also meets international standards.

We are now looking forward to the new and exciting phase of the implementation of the new Anti-Monopoly Law.

We will of course continue to cooperate and to expand our cooperation with the Chinese authorities.

We already have our annual bilateral competition policy dialogue where we discuss recent experiences. The latest meeting took place on Monday and focused on the EU's experiences in drafting rules implementing competition law, and on substantive issues in merger control.

I am sure that this cooperation will be expanded in the future to embrace all issues arising from the enforcement of the Anti Monopoly Law together with all relevant authorities having a role to play in the enforcement of the Anti Monopoly Law.

Moreover, on the international level, the adoption of the Anti Monopoly Law makes the participation of China in the international competition fora, such as the ICN and the OECD Competition Committee, even more urgent. The EU strong supports China's involvement in these fora.

In conclusion I have to congratulate China in choosing its path of competition. I am looking forward very much to my future cooperation with the Chinese competition Authorities.

And thank you all very much for your attention!