

Research on the Impact of "Competitive Neutrality" Rules on Chinese State-owned Enterprises

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Abstract. "Competitive neutrality" rules are becoming the focus of attention of the new generation of international economic and trade rules. "Competitive neutrality" rules hinder state-owned enterprises from opening up international markets. It also will weaken the domestic competitive advantage of state-owned enterprises, and the public service capabilities of state-owned enterprises. Therefore, China needs to implement state-owned enterprise reforms to better respond to this trend.

Keywords: "competitive neutrality" rules; state-owned enterprise; reform.

1. Introduction

Since "competitive neutrality" was proposed by Australia in the 1990s, it has become the focus of the new generation of international economic and trade rules. At present, more and more countries and organizations, including Europe, America and OECD, are advocating and strengthening the application and promotion of this rule in domestic economic systems and international economic and trade rules. In the future, this rule is likely to be transformed into a rigidly binding formal international economic and trade rule and become an important part of the new generation of international economic and trade rules. China is also absorbing the content of "competitive neutrality" related rules. China is gradually introducing relevant policies and measures to carry out reforms to create an equal competitive environment for various market players.

With the increasing influence of "competitive neutrality" on state-owned enterprises, competitive neutrality rules have gradually become the most important external pressures and constraints facing China's state-owned enterprise reforms. It is necessary to study how to better promote the reform of China's state-owned enterprises under the competition-neutral rules, how to better improve the supervision system of state-owned assets and state-owned enterprises, and make state-owned capital and state-owned enterprises stronger and better.

2. Theory and Practice of "Competitive Neutrality" Rules

"Competitive neutrality" refers to the equal treatment of enterprises of all types of ownership in terms of element acquisition, access permits, business operations, government procurement, and bidding. At the same time, improve the opportunities and availability of private enterprises to use land, capital and other elements.

The "competitive neutrality" promoted internationally aims to maintain a level playing field for all market players. One of its core contents is to emphasize that state-owned enterprises and private enterprises should have equal market competition status. It is required to divide the business scope of state-owned enterprises and distinguish between non-competitive business of public service obligations and normal competitive business activities.

Australia's "competitive neutrality" policy is implemented in different areas such as the federal, state, and territories. It urges state-owned enterprises to innovate and improve their competitiveness by eliminating the competitive advantages obtained by the ownership of state-owned enterprises, while creating a level playing field.

On the one hand, the EU incorporates a competition neutrality policy into the competition law to regulate the business behavior of market competitors by legal means; on the other hand, it also actively promotes competition neutrality at various levels such as bilateral regions and international organizations.

The "competitive neutrality" system of the United States is more prone to trade protectionism. It restricts foreign companies in the name of competitive neutrality in order to cope with the weak domestic economic development. The United States expands the scope of competitive neutrality to commercial enterprises with government backgrounds instead of Limited to traditional state-owned enterprises.

3. The Influence of “Competitive Neutrality” Rules on China's State-owned Enterprises

3.1 "Competitive neutrality" rules hinder state-owned enterprises from opening up international markets

The rapid development of China's economy is inseparable from the huge contribution of state-owned enterprises. At present, the "competitive neutrality" rule, led by the United States, imposes multiple restrictions on the market access of state-owned enterprises in the name of maintaining a level playing field. This will increase the management and compliance costs of Chinese state-owned enterprises' transnational operations and weaken their competitiveness in the international market.

3.2 "Competitive neutrality" rules will weaken the domestic competitive advantage of state-owned enterprises

Once the competition neutrality policy is fully implemented in the country, the advantages of state-owned enterprises in competition such as market access, market control, financing opportunities and many other aspects will be greatly reduced. At the same time, under the incentive mechanism, the ranks of private enterprises will rapidly expand and occupy the market. This will compress the original market share of state-owned enterprises and continue to narrow the gap with state-owned enterprises.

3.3 "Competitive neutrality" rules will weaken the public service capabilities of state-owned enterprises

China's state-owned enterprises play an important role in implementing the will of the country's macro-control and providing social public services in economic development. Therefore, the implementation of "competitive neutrality" will affect the government's macro-control policies and the ability to provide social public services.

4. Reform Measures of State-owned Enterprises Adapting to Competitive Neutrality Rules

The reform of China's state-owned enterprises can be promoted from the following four aspects.

First, improve the internal governance of state-owned enterprises. Improve the corporate governance structure, clarify the responsibilities of the party committee, the shareholder meeting, the board of directors, and the management body of each governance body, strengthen the equivalence of power and responsibility, and ensure the effective performance of duties.

Second, actively promote mixed ownership reform. Realize common development and effective checks and balances among capitals of different ownership systems through mixed ownership reform. This can force state-owned enterprises to change their operating mechanisms, better adapt to international economic and trade rules, and participate in international market competition.

Third, improve the information disclosure system of state-owned enterprises. Pay attention to the timeliness and accuracy of corporate information disclosure. State-owned enterprises must ensure the openness and transparency of corporate information on the premise of protecting national security and business secrets.

Fourth, improve the ability to adapt to international economic and trade rules. China's state-owned enterprises must participate in the construction of international economic and trade rules and practices, including competition neutrality rules. Continuously improve the ability of enterprises to be familiar with and use international economic and trade rules and practices. Improve the company's own technical and management capabilities.

5. Measures to Improve the Supervision of State-owned Enterprises

The regulatory system of China's state-owned enterprises can be improved from the following three aspects.

First, introduce competition neutrality rules. The applicable object of China's competition neutrality rules should be established on the basis of classified management reform. Only competitive business activities existing in competitive state-owned enterprises and public welfare state-owned enterprises shall be included in the scope of the regulation of competition neutrality rules. Take measures such as establishing a competition neutrality complaint mechanism and implementing regulatory neutrality measures.

Second, implement competition promotion. The corresponding competition authority shall be established by the domestic government. The agency adopts a non-enforcement mechanism to implement measures related to the promotion of the domestic competitive environment aimed at activating the domestic economy. These measures include strengthening the competitive review of China's current laws and regulations, and strengthening the promotion of competition culture within the society.

Finally, standardize government preferential behavior. Different types of state-owned enterprises should be treated differently. For public welfare state-owned enterprises, on the premise of implementing the classification of state-owned enterprises, a "positive list" of public welfare state-owned enterprises shall be issued to exempt the competition neutrality rule. At the same time, increase support for public welfare enterprises that protect people's livelihood, serve society, and provide public products and services, and give preference to subsidies, taxes, and so on. Competitive state-owned enterprises that fully participate in market competition must be impartial, so that they face the same subsidies, taxes and other conditions as private enterprises. In this way, the government can maintain a neutral position in the market competition between state-owned enterprises and private enterprises. In addition, for the possible competing businesses in public welfare state-owned enterprises, it is necessary to strictly distinguish them from public welfare businesses.

6. Conclusions

"Competitive neutrality" is synergistic with the goal of China's state-owned enterprise reform. "Competitive neutrality" helps to further deepen the reform of state-owned enterprises and provide strong policy support for fair market competition.

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