

Research on the Development Trend of Competitive Neutrality Rules

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Abstract. The "competitive neutrality" rule has been recognized by more and more countries and organizations. In the future, the rules are likely to be transformed into formal international economic and trade rules with hard constraints and become an important part of the new generation of international economic and trade rules. The core content of the rule includes three aspects. The first is to regulate the state's exercise of ownership of state-owned assets, the second is to require state-owned enterprises to improve corporate governance on the basis of corporatization, and the third is to require open and transparent management and operation of state-owned enterprises. In the future, the development of competitive neutrality rules will also face certain challenges.

Keywords: competitive neutrality; international economic and trade rules; challenge.

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, including Europe, the United States, and the OECD, are advocating and strengthening the application and promotion of this rule in domestic economic systems and international economic and trade rules. Economic and trade rules have become an important part of the new generation of international economic and trade rules. Under the current situation of international competition, the transformation of competitive neutrality from domestic laws and policies to international rules has shown a trend of accelerated development. It has become an important means for European and American countries to maintain the dominance of international rules and contain the challenges of emerging market economies.

China is also absorbing the relevant rules of "competitive neutrality" and gradually introducing relevant policies and measures to carry out reforms to create an equal competitive environment for various market players. The influence of "competitive neutrality" on my country's state-owned enterprises is deepening day by day. Competitive neutrality rules have gradually become the most important external pressures and constraints facing the reform of state-owned enterprises in my country. This rule is a key issue that urgently needs to be studied and solved in promoting the reform of state-owned enterprises and the reform of the economic system.

2. Interpretation of "competitive neutrality"

"Competitive neutrality" refers to equal treatment of enterprises of all types of ownership in terms of factor acquisition, access permits, business operations, government procurement, and bidding, and improving the opportunities and availability of land, capital and other factors for private enterprises. The international promotion of "competitive neutrality" aims to maintain a fair competition environment for all market players. One of its core contents is to emphasize that state-owned enterprises and private enterprises should have an equal market competition position, and to require the division of business scope of state-owned enterprises. Distinguish between non-competing business of public service obligations and normal business activity that is competitive.

3. The Core of Competitive Neutrality Rules

Countries and organizations such as Australia, the United States and the OECD have vigorously promoted competitive neutrality rules in recent years. Among them, Australia's competitive neutrality

policy is implemented in different scopes such as the Commonwealth, State and Territory. It urges state-owned enterprises to innovate themselves to improve their competitiveness by eliminating the competitive advantages obtained by the ownership relationship of state-owned enterprises, while creating a level playing field. Competitive neutrality as defined by the OECD refers to the competition between state-owned enterprises and private enterprises on a level playing field. rate , performance of public service obligations, tax neutrality, regulatory neutrality, debt neutrality and direct subsidies, and public procurement. The competitive neutrality system in the United States is more prone to trade protectionism, restricting foreign companies in the name of competitive neutrality in response to the weak domestic economic development. Expand the scope of competitive neutrality to government-backed commercial enterprises, not limited to traditional state-owned enterprises.

In general, the core content of the implementation of competitive neutrality rules by countries in practice mainly includes the following three aspects.

3.1 Regulate the state's exercise of ownership of state-owned assets.

Any country that manages and operates state-owned enterprises faces the challenge of exercising state ownership, that is, how to actively exercise state ownership functions while avoiding inappropriate intervention in company management. The OECD launched a revised version of the OECD Guidelines on Corporate Governance of State-Owned Enterprises on the basis of summarizing the experience of member countries in managing state-owned enterprises in the past 10 years, recommending that “the state should act as an informed and active owner, and ensure that state-owned enterprises should act as an informed and active owner by formulating ownership policies. governance is professional and effective, and is implemented in a transparent and accountable manner.” The practice of various countries shows that it is not an easy task to separate state ownership from the government's regulatory functions. To this end, the OECD recommends that the state exercise ownership functions through a centralized ownership entity, and that state ownership policies should be used to constrain government regulation of state-owned enterprises.

3.2 State-owned enterprises are required to improve corporate governance on the basis of corporatization.

An important issue for governments to achieve competitive neutrality is the corporatization of government enterprises and the separate treatment of commercial and non-commercial state-owned enterprises. In the development process of the past decades, most OECD countries have gone through the development process from government departments to statutory companies, joint-stock companies and listed companies in choosing the operation mode of government enterprises. This shift helps strengthen SOE accountability mechanisms and resist government interference that could hinder competitive neutrality. When the state is the controlling shareholder, the state is in a special position to nominate and elect board members without the consent of other shareholders. In order to reduce conflicts of interest, some countries (such as Norway) stipulate that government officials are not allowed to enter the board of directors of state-owned enterprises. The purpose is to completely eliminate the possibility of the government directly intervening in the management of state-owned enterprises.

3.3 The management and operation of state-owned enterprises are required to be open and transparent.

Openness and transparency help supervise and restrain the management and operation of state-owned enterprises, and are also the basis for creating a level playing field. By publishing the national ownership policy every year, the government has a clear understanding of the regulatory goals and means set by the ownership management agency, the fiduciary responsibilities of state-owned enterprises, and whether the established business goals are achieved. At the micro level, considering the public nature of SOEs, the Guidelines for SOEs suggest that SOEs should have higher requirements for information disclosure and transparency. Large state-owned enterprises or listed

state-owned enterprises should disclose financial and non-financial information in accordance with international standards, especially with detailed descriptions of the financial support and guarantees that state-owned enterprises receive from the government.

4. The introduction of China's competitive neutrality rules

Compared with developed countries, China introduced and used the concept of competitive neutrality relatively late. In January 2017, the "13th Five-Year" Market Supervision Plan issued by the State Council used this concept for the first time. Distortion, affect the optimal allocation of resources, apply competition policy throughout the entire process of economic development, and promote China's economic transformation and institutional improvement. At the G30 International Banking Symposium in October 2018, the main leaders of the People's Bank of China used this concept again: to solve the structural problems existing in the Chinese economy, we will accelerate domestic reform and opening up, strengthen the enforcement of property rights protection, and Consider treating SOEs with the principle of "competitive neutrality". The State Council executive meeting held on December 24, 2018 required that all types of ownership enterprises and large and medium-sized enterprises should be treated equally in terms of bidding, land use, etc. "in accordance with the principle of competitive neutrality"; in March 2019, the principle of competitive neutrality was first written. Into the "Government Work Report".

In the past two years or so, the concept of competitive neutrality has appeared so frequently in leaders' speeches and important documents. In measuring the role of the market in the economic system; as long as there is a deviation from competitive neutrality, the role of the market in allocating resources will be greatly reduced, which means that the relationship between the government and the market has not been properly handled, and the economic system reform has not been in place. Second, competitive neutrality, as a guideline for formulating economic system reform policies, will become a tool to accurately grasp the direction of market-oriented reforms, continuously promote the reform of monopoly industries, and resolutely break the shackles of traditional systems and management models. Thirdly, the principles of competitive neutrality include procurement neutrality, borrowing neutrality, subsidy neutrality, debt neutrality, tax neutrality, and regulatory neutrality. Finally, competitive neutrality is an interpretation of adhering to the "two unwavering" principle. Unswervingly consolidate and develop the public economy, and unswervingly encourage, support and guide the development of the non-public economy. Looking at these two sentences from the perspective of competitive neutrality, the implications are profound. On the one hand, it is necessary to deepen the reform of state-owned enterprises, further optimize the reform goals of state-owned enterprises, deepen the reform of mixed ownership, eliminate soft budget constraints, use production factors on an equal footing with other ownership enterprises in accordance with the law, and participate in market competition fairly. On the other hand, the private economy should be treated equally, and ownership discrimination should be eliminated, fair treatment should be implemented in all fields such as finance, taxation, and finance, so that private enterprises can equally use production factors in accordance with the law, receive equal legal protection, and participate in market competition fairly.

5. The Evolution of Competitive Neutrality Rules

Since its inception in the last century, "competitive neutrality" has evolved into various forms of expression under the impetus of different subjects and different purposes, and has gradually become a system, with traces of its development. From the previous practice of "competitive neutrality" in various countries, the past development of "competitive neutrality" can be summarized into two main lines: one is that competitive neutrality has changed from theory to rules, and the fields and frameworks involved are gradually becoming more detailed; Neutrality is no longer a purely domestic

law concept, but has evolved into an international economic and trade rule, with a strong momentum of development.

6. Challenges to Competitive Neutrality Rules in Practice

Judging from the practice of relevant countries in implementing the competitive neutrality policy in recent years, the obstacles and challenges encountered mainly come from three aspects: First, how to effectively separate the ownership function of the state (government) from the market supervision function, and enable the government to exercise Its regulatory power does not cause damage to market competition rules; the second is how the state can exercise its power as a qualified owner; the third is how to clearly define the public service responsibilities and other special responsibilities undertaken by state-owned enterprises.

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