China sets up anti-monopoly commission

The National Anti-Monopoly Commission was set up on Friday to better enforce China's first anti-monopoly law to uphold fair competition.

The new coordination body is directly under the State Council. The National Development and Reform Commission, Ministry of Commerce and the State Administration for Industry and Commerce have taken part of the responsibilities of the new commission.

The announcement came after the anti-monopoly law took effect on Friday. The law, dubbed the "constitution for the market economy", was first proposed 15 years ago but was not passed until last year.

According to the Xinhua News Agency, the new commission is responsible for anti-monopoly policy research, monitoring market performance and coordination in law enforcement to create a level playing field for all enterprises by preventing dominating companies from abusing their superior market positions.

EU Competition Commissioner Neelie Kroes congratulated China on the entry into force of its anti-monopoly law.

"The entry into force of the anti-monopoly law today is an important step forward in the development of China's economy," Kores said on Friday. "I am delighted that the efforts of the Chinese authorities to push forward this law have borne fruit."

He said the implementation of a transparent and non-discriminatory competition framework will be a challenging task and he expressed that the EU stands ready to strengthen bilateral cooperation in this important area.

The anti-monopoly commission will coordinate policy-making among the enforcement authorities and draft detailed implementing guidelines on anti-trust and merger control.

"It is expected that these rules will provide more clarity and predictability for companies operating in the Chinese market," said the commissioner.

Merger subject to law

The merger of the world's two mining giants will be among the first groups of multinationals subject to the anti-monopoly law, industry sources said.

The law said that monopolies that restrict domestic competition are subject to regulation, even if the deal happens outside the country. Therefore, BHP Billiton Ltd turned the application of the takeover bid for Rio Tino to the Ministry of Commerce earlier last month, according to the Shanghai Securities News.

The tie-up of the two companies that will control around one-third of iron ore worldwide has drawn concerns from industries in China, the world's largest steelmaker and consumer of about half of the world's iron ore production.

"We should maintain the principle of fair trade and oppose a monopoly market which would have a negative impact on consumers," Luo Bingsheng, vice-chairman of China Iron and Steel Association, said on Friday.

Luo said a combined company may lead to increased pricing power. "We already have three companies monopolizing the market. If they become two companies and a more monopolistic market, it would be easier for them to control the market and prices, and that would have a more negative impact on consumers," Reuters quoted Luo as saying.

Zhao Xiangge, an analyst from Everbright Securities, said the merger of the two steel giants may give them more space to maneuver in price negotiation. "Chinese steel enterprises for sure do not hope that the merger will succeed, and I think Chinese enterprises and the government will try to stop the merger altogether," said Zhao.

BHP expects international regulators to complete their review of its bid for rival Rio Tinto by the end of 2008, it said in a letter sent to Rio Tino shareholders.

It has applied to authorities in the US, EU, Australia, South Africa and Canada. The company said earlier that US anti-trust regulators have given partial approval for the deal but the case is still under probe in EU.

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