



Lingnan University's Research Project Group Puts Forward Five Recommendations on Competition Policy

(8 February 2007)

Lingnan University Research Project Group "Fair Competition under Laissez-Faireism: Policy Options for Hong Kong" revealed in a press conference held today (8 February 2007) five recommendations on Hong Kong's competitive policy submitted to the Government following its call for public consultations on the way forward for competition policy in Hong Kong.

Led by Professor Edward CHEN, President and Chair Professor of Economics of Lingnan University, and Professor LIN Ping, Head of Economics Department of Lingnan University, the research project aims to provide a systematic review of current competition policy framework in Hong Kong and examine if there is a need for Hong Kong and how to establish a general competition law.

The findings of the project will contribute in a timely manner to the on-going debates about whether Hong Kong should establish a comprehensive competition law, and provide sound policy recommendations to the government. The analysis will be based on sound economic principles and reasoning. The eight recommendations put forward by the project group with regard to the consultation on competition policy include:

The Research Project Group advocated the need to introduce a competition law for Hong Kong based on the economic efficiency that a competition law will promote and the market distortion that it will cure.

The Group pointed out in the recommendation a number of misconceptions with regard to competition law. Laissez-faire does not guarantee fair competition. The Group considered the introduction of a competition law will provide the market with a set of "rules of the game" as the law protects the competition process itself, but not the competitors in the market. Setting up a competition law will not negatively affect Hong Kong's international image but show the public the Government's determination in maintaining a level playing field, which, subsequently, would attract more foreign investment.



The Research Project Group has submitted five recommendations to the Government following its call for public consultations on the way forward for competition policy in Hong Kong, which include.

1. The introduction of an unbiased competition regime to all sectors of the economy, in light of the deficiency of a sector-specific approach;
2. To have a broad-approach competition law by which both anti-competitive conduct as well as market structure are covered. A light-touched merger control regime with the adoption of large safe harbours should be introduced.
3. To impose "partial exemption" from the new law on small and medium sized enterprises (SMEs). Exemptions from regulations of M&As and abuse of dominant position are recommended for SMEs, while price fixing should be prohibited by law.
4. To impose punitive fines and director disqualifications on offenders of hardcore cartels;

5. To set up ,on the enforcement front, a competition authority empowered with investigative function and a special tribunal with adjudicative function;

The research "Fair Competition under Laissez-Faireism: Policy Options for Hong Kong" has been running since September 2006. The Research Project Group will take 15 months to complete the project.

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