G.M. antimonopoly news comments

This news is directly related to the antitrust laws and competition policy. G.M. was charged a $ 29-million fine by Chinese government according to Chinese antimonopoly law, and it is not the first U.S auto producer that was charged a fine by Chinese government. The action that made G.M. get punishment is its enforcing minimum sale prices for dealers. This strategy is under the category of vertical constraints, which could generate market power for firms in the upper level of production-distribution structure. By setting the minimum retail price, firms implicitly increase the price for the products and thus increase their profits. While the auto market in China is filled with many domestic brands as well as many foreign brands such as G.M., the article mentioned that “G.M. vies with Volkswagen for the status of the topselling vehicle brand in China”. Then it is understandable that why G.M.’s minimum sale price policy is considered to “disrupted the normal order of market competition”.

However, the article also mentioned that Chinese government put a series of punishment on “non-Chinese auto brands”. It is doubtful that whether the application of antimonopoly law aims to protect domestic auto companies or protect market’s competition and efficiency as government agency claimed. Article states that “setting minimum retail prices is a common practice in many markets”, and right now firms seem to know nothing about the criterion of the Chinese antimonopoly law.