

Article 6(5) – Competition

Notes and General comments regarding the whole article

Final Act as adopted (17/12/94)
CONF 104 (Text for adoption) (14/09/94)
Understanding 7 (With respect to Article 6)

- (a) The unilateral and concerted anti-competitive conduct referred to in Article 6(2) are to be defined by each Contracting Party in accordance with its laws and may include exploitative abuses.
- (b) “Enforcement” and “enforces”* include action under the competition laws of a Contracting Party by way of investigation, legal proceeding, or administrative action as well as by way of any decision or further law granting or continuing an authorization.

Interim text (25/06/94)
Understanding 7 (To Article 7)

- (a) The unilateral and concerted anti-competitive conduct referred to in Article 7(2) are to be defined by each Contracting Party in accordance with its laws and may include exploitative abuses.
- (b) “Enforcement” or “**E** enforces” includes action under the competition laws of a Contracting Party by way of investigation, legal proceeding, or administrative action as well as by way of any decision or further law granting or continuing an authorization.

Interim Text (20/06/94)
Understanding 7 (To Article 7)

- (a) The unilateral and concerted anti-competitive conduct referred to in Article 7(2) are to be defined by each Contracting Party in accordance with its laws and may include exploitative abuses.
- (b) “Enforcement” or “Enforces” includes action under the competition laws of a Contracting Party by way of investigation, legal proceeding, or administrative action as well as by way of any decision or further law granting or continuing an authorization.

Compromise text [CONF 98] (22/04/94)
Ministerial Declaration 6 (To Article 7)

* *Ed. note:* The word “enforces” was with capital E in the Interim text of 20/06/94 and changed in the Interim text of 25/06/94.

Interpretative understandings:

The unilateral and concerted anti-competitive conduct referred to in paragraph (2) are to be defined by each Contracting Party in accordance with its laws and may include exploitative abuses.

“Enforcement” or “Enforces” includes action under the competition laws of a Contracting Party by way of investigation, legal proceeding, or administrative action as well as by way of any decision or further law granting or continuing an authorization.

ECT 7 [CONF 96] (17/03/94) Article 7 - Competition <i>Ministerial Declaration 6 (To Article 7)</i>	ECT 6 [CONF 82] (20/12/93) Article 7 - Competition <i>Ministerial Declaration 5 (To Article 7)</i>	ECT 5 [CONF 72] (11/10/93)¹ ECT 4 [CONF 64] (07/07/93)¹ [Article 7] - Competition <i>Ministerial Declaration 5 (To Article 7)</i>	ECT 3 [CONF 60] (01/06/93)¹ ECT 2 [CONF 56] (01/05/93)¹ [Article 7] – Competition <i>Ministerial Declaration 4 (To Article 7)</i>
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Interpretative understandings:

The unilateral and concerted anti-competitive conduct referred to in paragraph (2) is to be defined by each Contracting Party in accordance with its laws and may include exploitative abuses.

[“Enforcement” or “Enforces” include action under the competition laws of a Contracting Party by way of investigation, legal proceeding, or administrative action as well as by way of any decision or further laws granting or continuing an authorization.]²

Chairman`s note

Negotiations in the Plenary finished.

(Compromise text) ECT 1 [CONF 50] (15/03/93) <i>Ministerial Declaration 3 (To Article 7)</i>
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Interpretative understandings:

The unilateral and concerted conduct referred to in paragraph (2) is to be defined by the Contracting Parties in accordance with their laws and may include exploitative abuses.

Enforcement action shall include any application of competition law by way of investigation, administrative action, or proceeding conducted by the competition authorities of a Party.

BA-37 (01/03/93) [Article 8] – Competition <i>Ministerial Declaration 4 (To Article 8)</i>

Norway contingency reserve. **Russian Federation** scrutiny reserve on changes.

¹ **Norway** contingency reserve pending Article 1(5).

² **Australia** scrutiny reserve.

Ministerial Declaration 4 (To Article 8)

Interpretative understandings:

The unilateral and concerted conduct referred to in paragraph (2) is to be defined by the Contracting Parties in accordance with their laws and may include exploitative abuses.³

Enforcement action shall include any application of competition law by way of investigation, administrative action, or proceeding conducted by the competition authorities of a Party.⁴

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<p style="text-align: center;">BA-35 (09/02/93) BA-31 (21/12/92) [Article 8] – Competition</p>
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Norway contingency reserve.

Chairman's note

The accompanying Ministerial statement shall contain these interpretative understandings:

[Anti-competitive conduct]⁶ may include pricing behaviour designed to undermine the operation of a competitive market or to benefit the enterprises) involved to the detriment of other parties in a

³ USA scrutiny reserve.

⁴ Japan waiting reserve.

⁵ **Australia** is sympathetic to the intent of Article 8, which is essentially to oblige those countries which do not currently have effective competition laws in operation, to work to alleviate market distortions and barriers to competition, including through effective legislation against anti-competitive behaviour. The Australian Government has developed effective-legislation in this area through the Trade Practices Act. For longstanding historical and constitutional reasons, Australia would not be able to apply and enforce the obligation relating to anti-competitive conduct in this paragraph with respect to the activities of Australia State and Territory Governments.

Australia also questions whether the obligation could be effectively applied and enforced by other parties to the negotiations on the Basic Agreement. In particular, Australia draws attention to the "State action" doctrine under United States anti-trust law and to the exemptions under Article 90 (2) of the Treaty of Rome.

To resolve this problem, **Australia** proposes one of the following two solutions:

Either

(a) the inclusion of the following wording in the interpretative understandings:

"The Article is not intended to oblige Contracting Parties to enact laws or make regulations to alleviate relevant anti-competitive conduct where presently statutory exemptions exist in their laws";

Or

(b) strengthen a wording proposed by Japan and Canada under footnote 8.6. The wording, which could also be included in the interpretative understandings, would then read as follows:

"Where Contracting Parties already have comprehensive domestic competition laws, the scope, Interpretation or enforcement policies applicable to those laws shall not be affected by this Article, nor shall it oblige them to enact further laws."

Australia considers that Article 8 (2), as currently drafted, could be interpreted as imposing a substantive obligation on Contracting Parties to amend their legislation to override statutory exemptions where such exemptions exist for state government instrumentalities.

⁶ **Canada** requests insertion of the following language: "is to be defined by the individual laws of the Contracting Parties and".

manner which would not be possible in a competitive market. An example might be unreasonable price discrimination between comparable consumers seeking similar supplies.]⁷

[Enforcement action may include investigation activities and judicial or administrative remedies by the Contracting Party or its competition authorities, or available to third parties, in accordance with the laws and rules of the Contracting Party concerned.]⁸

Chairman's conclusions

After discussion on 18 December 1992 WG II was not able to make any further progress towards agreement. The Chairman then established a Sub-Group of competition experts chaired by EC and composed of USA, Canada, Japan and Australia to meet in Brussels. EC agreed to make all necessary organisational arrangements.

The Sub-Group should seek to resolve all remaining problems under Article 8. To facilitate its deliberations the Legal Sub-Group made its recommendations on para (1).

Legal Sub-Group report*

The complete legal opinion on para (1) is contained in document 7/93, LEG-4 of 2 February 1993. The substance of its conclusions is as follows:

- the phrase, "subject to their existing international rights and obligations," in Article 8(1) is suggested to be clarified or deleted;
- the phrase, "in [relevant]⁹ markets", is suggested to be deleted;
- Working Group II is suggested to decide, on a policy basis, whether to delete from paragraph (1), or to add to paragraph (2), the words, "insofar as they may affect trade between Contracting Parties";
- the last line of paragraph (2) is suggested to be revised by incorporating language from paragraph (1), so that it would read, "markets relevant to extraction, production, conversion, treatment, carriage (including transmission, distribution and marketing) and supply of Energy Materials and Products".

BA 26 (25/11/92)

BA 22 (21/10/92)

⁷ USA cannot concur with this lengthy text which it considers to go beyond the original Chairman's draft of Room Document 18 of 17 November 1992. In USA's view the current broad language of para (2) is sufficient to achieve the twin goals of (i) requiring Contracting Parties to establish mechanisms to discipline anti-competitive conduct, while (ii) enabling individual Contracting Parties to decide what specific mechanisms to establish.

⁸ USA is of the opinion that this definition is not necessary. Moreover the reference to remedies "available to third parties" is in its view confusing and inaccurate, since the point of para (5) is that notified Contracting Parties may undertake enforcement action at the request of notifying Contracting Parties. The activities of third parties are irrelevant.

If the definition is deemed necessary USA suggests to consider something along the lines of USA-EC Antitrust Cooperation Agreement: "Enforcement activities shall mean any application of competition law by way of investigation or proceeding conducted by the competition authorities of a Party."

* *Ed. note:* The comment on the Legal Report appears only in BA-35..

⁹ **Australia** supported by **Japan** wants to substitute with: "their own".

BA 18 (18/09/92)
BA 15 (12/08/92)
BA 14 (24/06/92)
BA 13 (19/06/92)
[Article 8] - Competition

Norway scrutiny reserve on whole Article.

Addendum to BA 6 (27/01/92)
Article 8 – Access to Markets

Chairman's note

New Article.

Paragraphs (1) to (3) above are based on the provisions of the EEA agreement which replicate provisions of the Treaty of Rome. The same articles are incorporated by direct reference in the EC's Association Agreements with Hungary, Poland and CSFR.

An alternative approach might be to remove much of the detailed provisions and instead require Contracting Parties to restrict and prohibit concerted practices etc. between energy undertakings which distort competition, and abuses by energy undertakings with monopoly or dominant positions, without most of the explicit detail on what precisely was to be prohibited or permitted. But, as a minimum, Contracting Parties would undertake to prevent such activities which

- (a) denied other undertakings access to energy markets on commercial terms;
- (b) led to unfair restriction of competition; or
- (c) involved discriminatory pricing practices.

Under this approach Contracting Parties with existing effective competition authorities and laws would undertake to ensure that their authorities could apply such laws in the energy field to achieve these objectives. There would also be provision for co-operation between authorities in different Contracting Parties, and assistance to those Contracting Parties without effective competition laws and authorities to establish them. The aim of minimising monopolies would remain in Article 9.

Addendum to BA 4 (5/11/91)
Article 7 - Energy Markets

New wording suggested by Chairman in light of extensive discussion in WG II meeting of 16-18 October.

Many delegations pointed out the problem of distinguishing between monopoly and dominant position.

BA 4 (31/10/91)
Article 7 – Energy Markets

New wording suggested by Chairman in light of EC, Japan and US comments.

(USA): the scope of the Article is unbalanced. Energy Materials and Products in square brackets dependant on the definitions.

Many delegations pointed out the problem of distinguishing between monopoly and dominant position.

BP 2 (11/09/91)
Explanatory Memorandum

Article 7 establishes the free market principles which shall apply in order to promote efficiency in energy production, distribution and consumption:

- (a) market pricing where there is no monopoly or dominant position;
- (b) where a monopoly or dominant position exists, to ensure that this emulates free and competitive market operation, with particular reference to pricing;
- (c) in a monopoly or where there is a dominant position, pricing and other conditions or operations to be transparent, in order to reduce opportunities for monopoly pricing, discrimination and cross-subsidy.

Article 6.5

ECT as adopted (17/12/94)
Article 6.5 - Competition

If a Contracting Party considers that any specified anti-competitive conduct carried out within the Area of another Contracting Party is adversely affecting an important interest relevant to the purposes identified in this Article, the Contracting Party may notify the other Contracting Party and may request that its competition authorities initiate appropriate enforcement action. The notifying Contracting Party shall include in such notification sufficient information to permit the notified Contracting Party to identify the anti-competitive conduct that is the subject of the notification and shall include an offer of such further information and co-operation as the notifying Contracting Party is able to provide. The notified Contracting Party or, as the case may be, the relevant competition authorities may consult with the competition authorities of the notifying Contracting Party and shall accord full consideration to the request of the notifying Contracting Party in deciding whether or not to initiate enforcement action with respect to the alleged anti-competitive conduct identified in the notification. The notified Contracting Party shall inform the notifying Contracting Party of its decision or the decision of the relevant competition authorities and may if it wishes inform the notifying Contracting Party of the grounds for the decision. If enforcement action is initiated, the notified Contracting Party shall advise the notifying Contracting Party of its outcome and, to the extent possible, of any significant interim development.

CONF 104 (Text for adoption) (14/09/94) Article 6.5 - Competition	Interim text (25/06/94) Interim text (20/06/94) Article 7.5 - Competition
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If a Contracting Party considers that any specified anti-competitive conduct carried out within the Area of another Contracting Party is adversely affecting an important interest relevant to the purposes identified in this Article, the Contracting Party may notify the other Contracting Party and may request that its competition authorities initiate appropriate enforcement action. The notifying Contracting Party shall include in such notification sufficient information to permit the notified Contracting Party to identify the anti-competitive conduct that is the subject of the notification and shall include an offer of such further information and co-operation as that Contracting Party is able to provide. The notified Contracting Party or, as the case may be, the relevant competition authorities may consult with the competition authorities of the notifying Contracting Party and shall accord full consideration to the request of the notifying Contracting Party in deciding whether or not to initiate enforcement action with respect to the alleged anti-competitive conduct identified in the notification. The notified Contracting Party shall inform the notifying Contracting Party of its decision or the decision of the relevant competition authorities and may if it wishes inform the notifying Contracting Party of the grounds for the decision. If enforcement action is initiated, the notified Contracting Party shall advise the notifying Contracting Party of its outcome and, to the extent possible, of any significant interim development.

Compromise text [CONF 98] (22/04/94) ECT 7 [CONF 96] (17/03/94) ECT 6 [CONF 82] (20/12/93) Article 7.5 - Competition	ECT 5 [CONF 72] (11/10/93) ECT 4 [CONF 64] (07/07/93) [Article 7].5 – Competition
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If a Contracting Party considers that any specified anticompetitive conduct carried out within the Area of another Contracting Party is adversely affecting an important interest relevant to the purposes identified in this Article, the Contracting Party may notify the other and may request that the other's competition authorities initiate appropriate enforcement action. The notifying Contracting Party shall include in such notification sufficient information to permit the other Contracting Party to identify the anti-competitive conduct that is the subject of the notification and shall include an offer of such further information and cooperation as that Contracting Party is able to provide. The notified Contracting Party or, as the case may be, the relevant competition authorities may consult with the other and shall accord full consideration to the request of the other Contracting Party in deciding whether or not to initiate enforcement action with respect to the alleged anti-competitive conduct identified in the notification. The notified Contracting Party shall inform the other of its decision or the decision of the relevant competition authorities and may inform the other, at the sole discretion of the notified Contracting Party, of the grounds for the decision. If enforcement action is initiated, the notified Contracting Party will advise the notifying Contracting Party of its outcome and, to the extent possible, of significant interim developments.

ECT 3 [CONF 60] (01/06/93)
ECT 2 [CONF 56] (01/05/93)
[Article 7].5 – Competition

If a Contracting Party considers that any specified anticompetitive conduct carried out within the Domain of another Contracting Party is adversely affecting an important interest relevant to the purposes identified in this Article, the Contracting Party may notify the other and may request that the other's competition authorities initiate appropriate enforcement action. The notifying Contracting Party shall include in such notification sufficient information to permit the other Contracting Party to identify the anti-competitive conduct that is the subject of the notification and shall include an offer of such further information and cooperation as that Contracting Party is able to provide. The notified Contracting Party or, as the case may be, the relevant competition authorities may consult with the other and shall accord full consideration to the request of the other Contracting Party in deciding whether or not to initiate enforcement action with respect to the alleged anti-competitive conduct identified in the notification. The notified Contracting Party shall inform the other of its decision or the decision of the relevant competition authorities and may inform the other, at the sole discretion of the notified Contracting Party, of the grounds for the decision. If enforcement action is initiated, the notified Contracting Party will advise the notifying Contracting Party of its outcome and, to the extent possible, of significant interim developments.

(Compromise text) ECT 1 [CONF 50] (15/03/93)
Article 7.5 – Competition

If a contracting Party considers that any specified anticompetitive conduct carried out within the Domain of another Contracting Party is adversely affecting an important interest relevant to the purposes identified in this Article, the Contracting Party may notify the other and may request that the other's competition authorities initiate appropriate enforcement action.

The notifying Contracting Party shall include in such notification sufficient information to permit the other Contracting Party to identify the anti-competitive conduct that is the subject of the notification and shall include an offer of such further information and cooperation as that Contracting Party is able to provide.

The notified Contracting Party or, as the case may be, the relevant competition authorities may consult with the other and shall accord full consideration to the request of the other Contracting Party in deciding whether or not to initiate enforcement action with respect to the alleged anti-competitive conduct identified in the notification. The notified Contracting Party shall inform the other of its decision or the decision of the relevant competition authorities and may inform the other, at the sole discretion of the notified Contracting Party, of the grounds for the decision. If enforcement action is initiated, the notified Contracting Party will advise the notifying Contracting Party of its outcome and, to the extent possible, of significant interim developments.

BA-37 (01/03/93)
[Article 8].5 - Competition

¹⁰ If a Contracting Party considers that any specified anticompetitive conduct carried out within the Domain of another Contracting Party is adversely affecting an important interest relevant to the purposes identified in this Article, the Contracting Party may notify the other and may request that the other's competition authorities initiate appropriate enforcement action.

The notifying Contracting Party shall include in such notification sufficient information to permit the other Contracting Party to identify the anti-competitive conduct that is the subject of the notification and shall include an offer of such further information and cooperation as that Contracting Party is able to provide.

The notified Contracting Party or, as the case may be, the relevant competition authorities may consult with the other and shall accord full consideration to the request of the other Contracting Party in deciding whether or not to initiate enforcement action with respect to the alleged anti-competitive conduct identified in the notification. The notified Contracting Party shall inform the other of its decision or the decision of the relevant competition authorities and may inform the other, at the sole discretion of the notified Contracting Party, of the grounds for the decision. If enforcement action is initiated, the notified Contracting Party will advise the notifying Contracting Party of its outcome and, to the extent possible, of significant interim developments.

BA-35 (09/02/93)
BA-31 (21/12/92)
[Article 8].5 - Competition

If a Contracting Party considers that any specified anticompetitive conduct carried out within the Domain of another Contracting Party is adversely affecting an important interest relevant to the purposes identified in this Article, the Contracting Party may notify the other and may request that the other's competition authorities initiate appropriate enforcement action.

The notifying Contracting Party shall include in such notification sufficient information to permit the other Contracting Party to identify the anti-competitive conduct that is the subject of the notification and shall include an offer of such further information and cooperation as that Contracting Party is able to provide.

The notified Contracting Party or, as the case may be, the relevant competition authorities may consult with the other and shall accord full consideration to the request of the other Contracting Party in deciding whether or not to initiate enforcement action with respect to the alleged anti-competitive conduct identified in the notification. The notified Contracting Party shall inform the other of its decision or the decision of the relevant competition authorities and, at the sole discretion of the notified Contracting Party, of the grounds for the decision. If enforcement action is initiated, the notified Contracting Party will advise the notifying Contracting Party of its outcome and, to the extent possible, of significant interim developments.

¹⁰ **Japan** waiting reserve on “confidentiality”. Japan was asked to consider lifting the footnote by 2 March 1993.

BA-26 (25/11/92)
[Article 8].5 - Competition

¹¹If a Contracting Party considers that any specified anticompetitive conduct carried out within the Domain of another Contracting Party is adversely affecting an important interest relevant to the purposes identified in this Article, the Contracting Party may notify the other and may request that the other's competition authorities initiate appropriate [enforcement activities].¹²

The notifying Contracting Party shall include in such notification sufficient information to permit the other Contracting Party to identify the anticompetitive conduct that is the subject of the notification and shall include an offer of such further information and cooperation as that Contracting Party is able to provide.

The notified Contracting Party or, as the case may be, the relevant competition authorities may consult with the other and shall [accord full consideration to]¹³ the request of the other Contracting Party in deciding whether or not to initiate enforcement activities with respect to the alleged anticompetitive conduct identified in the notification. The notified Contracting Party shall inform the other of its decision or the decision of the relevant competition authorities and, [at the sole discretion of the notified Contracting Party]¹⁴, of the grounds for the decision. If enforcement activities are initiated, the notified Contracting Party will advise the notifying Contracting Party of their outcome and, to the extent possible, of significant interim developments.

BA-22 (21/10/92)
BA-18 (18/09/92)
BA-15 (12/08/92)
[Article 8].5 - Competition

If a Contracting Party considers that any specified anti-competitive practice carried out within the Domain of another Contracting Party is adversely affecting an important interest, the Contracting Party may notify and request consultations with the other Contracting Party. The notifying Contracting Party shall include, in such notices and consultations, sufficient information to permit the other Contracting Party to identify the anticompetitive activities that are the subject of the notification.

Upon receipt of a notification under this Article, a Contracting Party [may consider whether to initiate¹⁵ action within its national jurisdiction including, where appropriate, additional or expanded enforcement activities]¹⁶ to remedy the anticompetitive activities identified in the notification.

¹¹ General scrutiny reserve on para 5.

¹² "Enforcement activities" cover also "investigative activities" and "seeking for remedies". The Chairman will address the substance of the first sentence in the accompanying document to the Basic Agreement.

¹³ Subject to **USA** reservation who prefers substituting with "consider".

¹⁴ **EC** scrutiny reserve.

¹⁵ **Australia** proposes inserting of "legitimate".

¹⁶ **Norway** suggests replacing with "shall seek". **EC** will propose a compromise text incorporating Norway suggestion and current text.

BA-14 (24/06/92)
BA 13 (19/06/92)
[Article 8]5 - Competition

If a Contracting Party considers that any specified anti-competitive practice carried out within the [Territory] of another Contracting Party is adversely affecting an important interest, the Contracting Party may notify and request consultations with the other Contracting Party. The notifying Contracting Party shall include, in such notices and consultations, sufficient information to permit the other Contracting Party to identify the anti-competitive activities that are the subject of the notification.

Upon receipt of a notification under this Article, a Contracting Party [may consider whether to initiate¹⁵ action within its national jurisdiction including, where appropriate, additional or expanded enforcement activities]¹⁶ to remedy the anticompetitive activities identified in the notification.

BA 12 (09/04/92)
Article 8.5 - Competition

If a Contracting Party concludes that any specified anti-competitive practice carried out within the Territory of another Contracting Party is adversely affecting an [important]¹⁷ interest, the Contracting Party may notify and request consultations with the other Contracting Party. Such notice and consultations shall include sufficient [non-confidential]¹⁸ information to permit the other Contracting Party to identify the anti-competitive activities that are the subject of the notification.

Upon receipt of a notification under this Article, a Contracting Party [may consider whether to initiate action within its national jurisdiction including, where appropriate, additional or expanded enforcement activities]¹⁹ to remedy the anti-competitive activities identified in the notification.

¹⁷ Norway suggests deletion.

¹⁸ EC expressed its doubts on this wording.

¹⁹ Norway suggests replacing with “shall seek”.