

# Review and Outlook of the Evolution of China's Competition Policy: From Economic Transition to the Dual Circulation Strategy

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Over the past few decades, China has undergone a gradual yet progressive transition from a command economy to a market economy. During this process, China's competition policy has emerged and evolved in response to the changing economic landscape. History has shown that competition policy is not merely a byproduct of the country's economic transition but also a crucial instrument in deepening market-oriented reforms. The recognition of competition policy as having fundamental status in China's top-level policy design has marked a new phase in its development. A competition policy framework centered on the Anti-Monopoly Law is gradually taking shape, providing a more structured and systematic regulatory foundation. Currently, within China's long-term objectives through 2035, the Dual Circulation Strategy places competition policy at its core, underscoring its fundamental role in fostering a fair and efficient market environment. In recent years, China's competition policy and antitrust regulations have undergone significant advancements, strengthening enforcement mechanisms and refining legal frameworks. As the country navigates evolving domestic and global challenges, the continued evolution of its competition policy must strike a delicate balance between national economic priorities and the broader international economic landscape

*Keywords:* competition policy of China, economic transition, anti-monopoly law, dual circulation strategy

## Introduction

In 2021, China's National People's Congress passed and issued *The Outline of The 14th Five-Year Plan for Economic and Social Development and Long-Range Objectives Through the Year 2035* (hereafter the 2035 Outline). This document sets out a comprehensive plan for China's long-term development goals and priorities, serving as the strategic blueprint and top-level design for the country's economic progress. Among key elements of the 2035 Outline, China's Dual Circulation Strategy stands out as particularly significant, as it not only defines the direction of the country's economic development but also has a profound impact on the design and implementation of its competition policies. China's competition policy is uniquely distinctive on the global stage, as the country transitioned from a command economy and has adopted a gradual approach to economic

transformation. Therefore, five years into the implementation of the 2035 Outline, it is both timely and essential to review and assess the evolution of China's competition policies since the country's economic transition and with a particular focus on their progress made within the framework of the Dual Circulation Strategy. Such an analysis and an evaluation will provide valuable insights into the role of competition policy in China's ongoing economic reform and offer a forward-looking perspective on the country's future policy priorities.

### **The Evolution of China's Competition Policy: From Economic Transition to Market Regulation**

It is well known that China is a transitioning economy that has shifted from a command economic system to a market-based one. Compared to the West, China's competition policy is a relatively recent development. China's first competition policy can be traced back to the *Interim Provisions on Promoting and Protecting Socialist Competition* (State Council of the People's Republic of China, 1980), a policy document issued by the State Council of China in 1980, the early days of the Reform and Opening-up period. This was the first official document on market competition. However, the document was more symbolic in nature; competition policy in China truly began to take root and develop after 1993, the year the country officially committed to implementing a socialist market economy system.

It is noteworthy that competition policy of China is not only a byproduct of the country's economic transition but also a vital instrument for deepening the market-oriented reforms. The fact that China has chosen a gradual yet progressive approach to economic transition plays a crucial role in shaping the design and implementation of its competition policies. Reviewing the evolution of China's market reform and competition policy throughout its economic transition provides valuable insights for understanding competition policy under the latest Dual Circulation Strategy. Overall, the principles and goals of China's competition policy have remained consistent over time.

Starting in the late 1970s, China began its transition from a command economy to a market economy. The transition is also known as the famous "Reform and Opening-up". Instead of adopting drastic reform measures, like "shock therapy" in east European countries, China adopted a gradual yet progressive economic transition approach.

In the 1982 version of Constitution of the People's Republic of China, it was stipulated that the country's economic system was based on "socialist public ownership", with market regulation playing only a "supplementary role"<sup>1</sup>. In 1984, the Central Committee of the Communist Party of China issued a landmark document on economic system reform, proposing the implementation of a "planned commodity economy". Deng Xiaoping commented on this development, stating, "In the past, we couldn't have written such a policy document". At the time, introducing the concept of a commodity economy was already a significant breakthrough, underscoring the immense challenges China faced in reforming its economic system. In 1993, China's economic system underwent a significant transformation. A constitutional amendment that year explicitly declared that China would

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<sup>1</sup> Article 15 of Constitution of the People's Republic of China (1982). Available at [http://www.npc.gov.cn/zgrdw/npc/zt/qt/gjxfz/2014-12/03/content\\_1888093.htm](http://www.npc.gov.cn/zgrdw/npc/zt/qt/gjxfz/2014-12/03/content_1888093.htm) (in Chinese).

implement a “socialist market economy”<sup>2</sup>. From that point forward, the concept of the “market economy” began to take root in public consciousness, gradually driving profound changes.

As widely recognized, competition is the core and foundation of a market economy. Only under a well-regulated competitive order can market mechanisms function effectively, and market vitality be fully unleashed. Therefore, establishing legal rules to regulate competition became an urgent priority for China after deciding to adopt a market economy system.

In September 1993, the Standing Committee of the National People's Congress passed the Anti-Unfair Competition Law of China, the first law in China specifically designed to regulate competitive behavior<sup>3</sup>. This law incorporated five types of regulations commonly found in antitrust laws of other countries. For instance, practices now primarily regulated under the Anti-Monopoly Law of China, such as tying arrangements, exclusive dealing, and the abuse of administrative power to restrict the entry of goods from other regions, were addressed and regulated in the 1993 Anti-Unfair Competition Law. In this sense, the 1993 law not only laid the foundation for China's future antitrust legislation but also temporarily played a partial role in antitrust regulation before the formal enactment of the Anti-Monopoly Law. Additionally, the Pricing Law of China<sup>4</sup>, enacted in 1997, also introduced provisions against price-related monopolistic behaviors such as price cartels, predatory pricing, and price discrimination.

Although the Anti-Unfair Competition Law and the Pricing Law contained some antitrust provisions, the core legal instrument for implementing competition policy in market economies—the Anti-Monopoly Law—was not legislated and officially enacted in China until 2000s.

In 2005, four years after China's accession to the World Trade Organization (WTO), the anti-monopoly legislation plan was officially placed on the national legislative agenda. This sparked debates over key issues, such as whether the law should apply to state-owned enterprises and whether provisions regulating administrative monopolies should be included. These questions fueled intense discussions. At the same time, one particularly influential suggestion gained traction that the text of China's Anti-Monopoly Law should explicitly incorporate “competition policy”. Under this proposal, competition policy was no longer narrowly defined as just the antitrust legal framework. Instead, it was envisioned as a broader collection of policies, laws, and practices guided by the principles of “respecting the market” and “prioritizing competition”.

In 2007, China's legislative body passed the Anti-Monopoly Law of the People's Republic of China<sup>5</sup>, resolving many of the earlier debates. First, the law explicitly stipulates that state-owned enterprises and industries with statutory monopolies shall not abuse their positions to harm consumer interests. This confirms that the Anti-Monopoly Law applies to state-owned enterprises and legally monopolized industries in the same way it does to the private sector. Second, the Anti-Monopoly Law introduces a dedicated chapter on “Abuse of Administrative Power to Exclude or Restrict Competition”. For the first time in history, China established a legal framework to address administrative monopolies. Third, the law designates the State Council's Anti-Monopoly Commission as responsible for “formulating relevant competition policies”. This explicitly integrates

<sup>2</sup> Article 15 of the 1993 Amendment to the Constitution of the People's Republic of China. Available at [http://www.npc.gov.cn/zgrdw/pc/XWZX\\_1/5/200701/t20070131\\_1348.htm](http://www.npc.gov.cn/zgrdw/pc/XWZX_1/5/200701/t20070131_1348.htm) (in Chinese).

<sup>3</sup> Available at [https://www.gov.cn/banshi/2005-08/31/content\\_68766.htm](https://www.gov.cn/banshi/2005-08/31/content_68766.htm) (in Chinese).

<sup>4</sup> Available at [https://www.gov.cn/banshi/2005-09/12/content\\_69757.htm](https://www.gov.cn/banshi/2005-09/12/content_69757.htm) (in Chinese).

<sup>5</sup> Available at [https://www.gov.cn/flfg/2007-08/30/content\\_732591.htm](https://www.gov.cn/flfg/2007-08/30/content_732591.htm) (in Chinese).

competition policy into the legal framework and leaves room for its further development in the future. The Anti-Monopoly Law enacted in 2008 and has since served as the foundation for China's competition policy, gradually shaping a comprehensive competition policy framework. Beyond regulating market competition, the law plays a crucial role in advancing and reinforcing China's market-oriented economic transformation. China's competition policy entered a new era.

### **Establishment of Foundational Status of Competition Policy: A Necessary Yet Ambitious Progress of China's Economic Reform**

Although the Anti-Monopoly Law marked a new era in China's competition policy, external economic shocks and domestic structural challenges influenced its implementation.

The year 2008 is the beginning of China's Anti-Monopoly Law, but it was also the year of the global financial crisis. The global recession also had significant impacts on this transforming economy, bringing a sharp slowdown in economic growth, a decline in exports, and a substantial rise in unemployment pressure. China's Consumer Price Index (CPI) and Producer Price Index (PPI) both experienced significant increases. In 2008, the CPI peaked at 8.70%, while the PPI reached a high of 10.06% (National Bureau of Statistics, 2008). In response to this crisis, the Chinese government introduced a stimulus package in November 2008 to further expand domestic demand and promote stable and rapid economic growth, with an estimated investment of four trillion yuan by the end of 2010 (General Office of the State Council of the People's Republic of China, 2008). The stimulus package is therefore also referred to as the "Four Trillion Plan".

The "Four Trillion Plan" had an immediate and significant impact on China's economy, helping the country swiftly rebound from the global financial crisis. Within just nine months, GDP growth hit bottom and rebounded in the first quarter of 2009. However, while the large-scale economic stimulus program proved effective in the short term, it also had long-term structural consequences for China's economy. The industrial policies and other measures used to counter the financial crisis were largely state-driven, lacking sufficient market-oriented principles and consideration for competition policy. From massive infrastructure investments to local economic development models and the formulation of industrial policies, market forces played a limited role in decision-making. Driven by performance-oriented goals, local governments prioritized short-term GDP growth, often relying on administrative interventions to allocate resources instead of allowing market mechanisms to operate. As a result, essential economic factors such as goods, capital, labor, technology, and information were not efficiently directed toward competitive industries and enterprises, distorting the natural flow of resources in the market.

The distortions in market competition caused by economic stimulus programs are not merely short-term side effects but rather a deep-rooted challenge that China has continuously faced throughout its transition from a planned economy to a market-driven system. For an extended period, China's economic governance has been heavily reliant on industrial policies, with the government stimulating growth primarily through fiscal expansion and direct intervention. At the same time, various industry regulators have long been accustomed to formulating policy directives focused on sectoral protection and subsidies, further reinforcing state-driven economic strategies over market-oriented approaches. These issues, which bear strong characteristics of a planned economy, are largely absent in countries and regions that have operated under a market economy for over a century.

China's leadership quickly recognized the adverse effects of over-reliance on industrial policies on the long-term health of the economy. In response, they began to place greater emphasis on the application of competition policy, ultimately establishing it as a foundational status of the country's national economic strategy.

In 2015, the Central Committee of the CCP and the State Council issued the *Opinions on Advancing Price Mechanism Reform*<sup>6</sup>, which proposed gradually establishing competition policy as a foundational status and accelerating the development of a coordination mechanism between competition policy and industrial and investment policies. Since the founding of the People's Republic of China and enactment of the Reform and Opening-up, governmental economic policy documents had traditionally centered around keywords such as "industrial policy", "fiscal policy", "investment policy", and "trade policy". The introduction of the term "competition policy" in official documents quickly drew widespread attention, sparking discussions across Chinese society about its significance and potential implications.

In January 2017, the State Council released the 13th Five-Year Plan for Market Regulation<sup>7</sup>, explicitly stating the need to reinforce the foundational role of competition policy in the national policy system and to implement a competitive neutrality system. This marked the first time that "strengthening competition policy's foundational status" was mentioned at the central government level.

In 2019, following deeper theoretical and practical exploration, China's competition policy made significant strides. A key document passed during the Fourth Plenary Session of the 19th Central Committee of the CCP further reinforced this shift by explicitly stating that "enhancing the foundational status of competition policy" should be an essential component of efforts in accelerating the improvement of the socialist market economy system<sup>8</sup>. Documents issued during Central Committee Plenary Sessions of the CCP represent the highest level of policy guidance and enforcement in China. This elevation signifies that competition policy now holds greater significance, enabling it to play a more balanced and influential role alongside industrial and fiscal policies in China's economic decision-making. From this point forward, competition policy's foundational status was formally recognized as a core pillar of China's economic governance.

### **The Role of Competition Policy and Anti-Monopoly Law Under the Dual Circulation Strategy**

The Dual Circulation Strategy was first introduced at the Standing Committee Meeting of the Political Bureau of the CCP Central Committee in May 2020. At the time, China faced global supply chain disruptions caused by the pandemic, alongside economic challenges that had arisen since the onset of U.S.-China trade tensions in 2018. With China's rapid GDP and trade growth, the limitations and side effects of its long-standing export-oriented policy became increasingly apparent. Recognizing this shift, China's leadership acknowledged that the export-driven strategy, traditionally suited for smaller economies, no longer compatible with the country's evolving economic landscape. With China's economy entering a new phase, a more balanced and resilient approach was needed to sustain long-term growth.

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<sup>6</sup> Available at [https://www.gov.cn/gongbao/content/2015/content\\_2953936.htm](https://www.gov.cn/gongbao/content/2015/content_2953936.htm) (in Chinese).

<sup>7</sup> Available at [https://www.gov.cn/gongbao/content/2017/content\\_5168478.htm](https://www.gov.cn/gongbao/content/2017/content_5168478.htm) (in Chinese).

<sup>8</sup> Available at [https://www.gov.cn/zhengce/2019-11/05/content\\_5449023.htm](https://www.gov.cn/zhengce/2019-11/05/content_5449023.htm) (in Chinese).

Following extensive research and discussions, the Dual Circulation Strategy was incorporated into the 2035 Outline and subsequently approved by the National People's Congress in 2021, officially granting it legal status as a national strategy.

Within this framework, the establishment of a Dual Circulation economic structure is recognized as a cornerstone of China's modernization efforts. Guided by this strategic vision, the 2035 Outline emphasizes the strengthening of competition policy and anti-monopoly as critical measures to enhance market efficiency and build a high-standard, unified domestic market.

The 2035 Outline sets forth a clear directive to accelerate the marketization and introduction of competition in natural monopoly industries traditionally dominated by the government, such as energy, railways, telecommunications, and public utilities. It calls for liberalizing access to competitive business segments within these industries and further integrating market-driven competition mechanisms.

To ensure a fair and competitive market environment, the 2035 Outline emphasizes the strengthening of antitrust and anti-unfair competition enforcement, aiming to curb monopolistic practices and illicit profit-seeking behaviors. It also mandates the elimination of industry monopolies and market fragmentation caused by local administrative protectionism.

Furthermore, the 2035 Outline listed improvements to the competition policy framework, advocating for the establishment of a comprehensive enforcement mechanism that covers pre-market, in-market, and post-market regulatory stages. The 2035 Outline reiterates the principle of strengthening the foundational status of competition policy, emphasizing its integration into China's broader economic governance framework. By reaffirming competition policy as a guiding principle, the government aims to ensure that all economic policies align with market competition objectives, reducing distortions caused by excessive administrative intervention.

The 2035 Outline emphasizes the need to reinforce the binding enforcement of the fair competition review system, strengthening legal accountability for government actions that violate fair competition principles. It calls for stricter oversight and enforcement measures, ensuring that policies and regulations align with fair competition standards while systematically eliminating barriers to a unified national market.

The Dual Circulation Strategy not only redefines China's economic development model but also elevates the role of competition policy and antitrust enforcement as essential components of market efficiency and national economic governance. By integrating competition policy into the top-level design, the government aims to foster a high-standard, unified domestic market, ensuring that market mechanisms play a greater role in resource allocation. By firmly establishing competition policy as a fundamental pillar of economic governance, China is taking a significant step toward enhancing market efficiency, fostering innovation, and promoting long-term economic resilience.

The success of these reforms, however, will depend on consistent competition enforcement, reduced administrative interference, and the ability to cultivate a genuinely competitive and open market environment. In addition, it is essential to institutionalize and legalize competition policy, ensuring that it becomes a standardized and enforceable component of China's economic governance. Ultimately, establishing a more robust legal environment based on sound and well-balanced competition policies is crucial to facilitate and reinforce China's economy reform.

## Concrete Advancements in Competition Policy and Antitrust Enforcement Over the Past Five Years

Five years have passed since the release of the 2035 Outline, and 2025 marks the final year of China's 14th Five-Year Plan. Over this period, under the Dual Circulation Strategy, China's competition policy and antitrust regulations have undergone significant transformations. What specific changes have been implemented, and more importantly, how have these developments influenced the country's market competition and regulatory landscape?

In 2022, China's Anti-Monopoly Law underwent its first revision since its enactment<sup>9</sup>. While not a complete overhaul, the revision introduced significant changes and innovations in terms of legislative goals, legal principles, specific provisions, and special clauses.

Firstly, the revised law introduced "encouraging innovation" as a legislative goal, reflecting China's economic shift toward unleashing innovation as a key driver of development. This aligns with the 2035 Outline's emphasis on fostering high-quality economic growth.

Secondly, the revision explicitly affirmed the "strengthening of the foundational status of competition policy", marking the first time that competition policy has been legally enshrined as a core principle of China's economic governance. It provides legal safeguards for the transition from reliance on industrial policy to a stronger focus on competition policy. Alongside this shift, the foundational role of competition policy has started to be reflected in various policy and planning documents. Traditionally, competition policy was seldom incorporated into such documents. For example, in the area of foreign trade policy, the State Council's documents now explicitly reaffirm the decisive role of the market in resource allocation, emphasizing the importance of unleashing market vitality. These documents state that advancing the integration of domestic and foreign trade will help form a robust domestic market, facilitate smooth domestic and international circulation, and promote the development of integrated trade. Additionally, economic policy documents now place greater emphasis on implementing competition policies and stress the legal and equal protection of all market entities.

Thirdly, the Fair Competition Review System was formally incorporated into the Anti-Monopoly Law, thereby legalizing mechanisms designed to prevent administrative monopolies and curb the distortion of markets by government influence. The system, first introduced in 2016<sup>10</sup>, is based on a provision in the Anti-Monopoly Law that stipulates public authorities must not abuse administrative power to create regulations that exclude or restrict competition. In designing this system, China drew extensively from international experiences, such as Australia's fair competition assessment system and the Organization for Economic Cooperation and Development (OECD)'s competition assessment toolkit, while adapting it to China's specific context. The system requires policy-making bodies to proactively conduct self-assessments to ensure that economic policies and legislative drafts align with competition standards.

In addition, since the revision of the Anti-Monopoly Law, China's competition enforcement agencies, particularly the State Administration for Market Regulation (SAMR), have been actively updating and refining relevant regulations. Concurrently, the Supreme People's Court has developed judicial interpretations aligned with the revised law, drawing on 15 years of experience in adjudicating antitrust cases. As a result, China has

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<sup>9</sup> Available at [https://www.gov.cn/xinwen/2022-06/25/content\\_5697697.htm](https://www.gov.cn/xinwen/2022-06/25/content_5697697.htm) (in Chinese).

<sup>10</sup> Available at [https://www.gov.cn/zhengce/content/2016-06/14/content\\_5082066.htm](https://www.gov.cn/zhengce/content/2016-06/14/content_5082066.htm) (in Chinese).

gradually built a systematic, efficient, and scientifically sound legal framework for fair competition, grounded in the Anti-Monopoly Law.

### **Analysis and Outlook of China's Competition Policy**

Looking forward, the evolution of China's competition policy will need to address both its domestic priorities and the global economic landscape. As China continues to navigate its Dual Circulation Strategy, competition policy must align with international norms while safeguarding the nation's unique economic priorities. While there are no binding international conventions or bilateral treaties on competition policy and antitrust, there is a widely recognized international consensus based on market values. The market value promoted by economic globalization has led to consensus of antitrust legal system in terms of objective, institution framework, basic principles, analytical methods, procedure and relief among jurisdictions. This consensus would ultimately expand the similarities and convergence of antitrust system and practices in different countries. Therefore, the competition policy and antitrust law of a nation should not be too creative to divert from international basic consensus. Otherwise, a simple domestic application of antitrust law could lead to international legal disputes.

Moreover, although jurisdiction of antitrust law is only domestic, most countries add extraterritorial applications clauses which provide authority to regulate monopoly behavior abroad if it excludes or restricts domestic market competition. This extraterritorial application system frequently causes conflicts of law among different jurisdictions. Therefore, international coordination and cooperation of antitrust policy are pivotal.

Currently, China's economy is facing downward pressure and risks from changes in the external environment. Historical experience in global economic development suggests that when an economy faces downward pressure, maintaining a commitment to competition policy—utilizing market competition to correct inefficiencies and address failures—can foster stronger and more sustainable long-term growth. By ensuring that market forces are allowed to function efficiently, competition policy can act as a corrective mechanism, preventing the entrenchment of monopolistic behaviors and reducing barriers to entry. This enables resources to flow toward the most innovative and productive sectors, fueling economic dynamism even in challenging times. Additionally, by promoting transparency, fairness, and accountability, competition policy can help restore trust in markets, which is crucial for long-term growth and stability.

In contrast, relying heavily on large-scale, government-driven industrial policies as a short-term stimulus measure may intensify the accumulation of structural risks within the market. While industrial policies can provide immediate relief, especially during periods of economic crisis, they often do so by distorting market signals and prioritizing political or short-term economic goals over long-term efficiency. These policies can lead to the misallocation of resources, protectionism, ultimately stifling competition and innovation.

To formulate a more stable and effective competition policy under the background of Dual Circulation Strategy, China could focus on following keys in policy making. First, the country should fully recognize that competition policy plays a decisive role in the market economy and is essential to economic stability and prosperity. In the process of making top-design policies, competition policy should always be one of the most prioritized. The government should incorporate competition policy into consideration and ensure coordination when formulating industrial, fiscal, monetary, financial, trade, consumption, environmental, regional policies,



and other policies. The spirit of competition should take precedence in cases of policy conflict. Second, in terms of enforcing competition policy, it is important to incorporate mechanisms of self-regulation of industrial policy, especially policies including government subsidies.

While deepening economic reforms present challenges to China's governance, the country has consistently adhered to a gradual yet progressive market-oriented reform. Today, China's competition policy has a stronger legal foundation than ever, and with ongoing improvements in enforcement and judicial experience, it will play an increasingly significant role moving forward.

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