

# Implementation Effectiveness of China's Fair Competition Review System: An Empirical Analysis of J City in Z Province

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## Abstract

Based on the context of China's unified national market, this study employs a combination of case study, empirical research, and policy analysis methods, selecting J City in Z Province as the case study to systematically analyze the implementation outcomes of the fair competition review system. The findings indicate that J City has continuously refined relevant policies and collaborated with multiple government departments, third-party institutions, and entities from the Yangtze River Delta region to carry out reviews, leading to significant improvements in market vitality and the business environment; however, local protectionist administrative monopolistic practices remain prevalent at the grassroots level, primarily due to ambiguous review criteria and insufficient mechanisms for performance evaluation and accountability.

**Keywords:** Fair Competition Review System; National Unified Market; Rule of Law in the Business Environment; Anti-Monopoly Law.

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## INTRODUCTION

The essence of improving the modern market system lies in the state's ability to properly balance government regulation with market autonomy through institutional frameworks (primarily legislation), aiming to foster an inclusive economic ecosystem within a supportive legal environment (Acemoglu & Robinson, 2018). With the rapid growth of the global digital economy and accelerating shifts in international competition dynamics, digital trade regulations have become a focal point of global governance. Major economies continue to refine their competition policies and innovate regulatory systems, setting new standards for national competition legislation and market governance. To align domestic market development with evolving international conditions, five authorities including the State Administration for Market Regulation issued the Regulations on Fair Competition Review in 2024, a guiding document aimed at preventing administrative monopolies and ensuring fair competition. Following this national initiative, J City in Z Province implemented the Implementation Plan for Optimizing the Business Environment, comprehensively enforcing the fair competition review mechanism. Against this backdrop, this study examines J City using field data and case studies to analyze the operational

mechanisms and challenges in implementing this review system, providing empirical insights for similar cities.

## LITERATURE REVIEW

From an economic law perspective, Zhang (2017) argued that the fair competition review system is not merely as a subsidiary mechanism under antitrust legislation but a comprehensive macro-level framework spanning fiscal taxation and industrial development. Drawing on competitive market and post-regulatory governance theories. Sun & Abliz (2020) posited that fair competition review serves as a core institutional tool to shift government regulation from "government-led" to "market-responsive", particularly in resolving conflicts between competition policies and selective industrial policies. Wang (2022) and Shi (2022), both drawing on amendments to the Antitrust Law, concurred that enacting fair competition review into legislation would enhance mechanisms for ex-ante power control and post-enforcement antitrust oversight, while local shortages of guidelines, staff and resources impede its effective implementation. Ye *et al.*, (2022) developed a government-enterprise relation model, distinguishing between selective and functional industrial policies, and demonstrated how fair competition review can guide industrial policies more inclusive from the market efficiency.

Existing studies focus largely on national-level legislative and theoretical perspective, while prefecture-level empirical data and case studies integrating local policy contexts and implementation practices remain insufficient.

**METHOD**

This study takes J City in Z Province as a case study, using qualitative methods including: (1) policy text analysis, examining national, provincial and municipal fair competition review documents to compare local institutional details and revisions; (2) field investigation, visiting government departments and market entities to collect firsthand data on routine reviews and self-inspection rectifications; (3)

institutional analysis, combining anti-monopoly laws and competition requirements with text and field findings to evaluate the city’s review mechanisms and identify challenges.

**RESULTS**

**(I) Institutional System**

In J City of Z Province, authorities have progressively issued documents to establish a comprehensive institutional framework for implementing the fair competition review system, with each subsequent document building upon the previous ones to address shortcomings and enhance enforcement measures.

**Table 1: Evolution of Fair Competition Review Institutional Systems**

Date	System	Characteristic
2022	"Implementation Plan for the Action to Optimize and Enhance the Business Environment in J City"	For the first time, fair competition review has been incorporated into the core tasks of regional development.
2024	"Guidelines for Fair Competition Review in the Field of Government Procurement by J City"	Refined the operational requirements for specialized tasks
2025	Notice on Establishing a Linkage Mechanism between Fair Competition Review and Legality Review in J City	An innovative approach has been adopted to establish the fair competition review as a prerequisite procedure for legality assessment.
2026	Notice on Establishing a Joint Supervision Mechanism in the Field of Fair Competition	Overcoming the limitations of single administrative oversight, a diversified and collaborative mechanism has been established.

**(II) Practice**

**1. Outcomes of Cross-Regional Collaborative Regulation**

J City has moved beyond a isolated approach by implementing cross-departmental joint reviews and judicial coordination, introducing third-party evaluations from universities and law firms, streamlining complaint and rights protection channels for market entities, addressing the issue of self-review becoming superficial, and achieving notable results (Figures 1).

In terms of cross-regional collaboration, J City leverages the fair competition review cooperation

mechanism led by Y City within the Yangtze River Delta region to jointly develop a digital platform that enables online verification of inter-provincial policies and intelligent early warning of competition risks (Figure 2). At the level of market entities, J City has established regular communication channels and promoted the concept of fair competition through various outreach initiatives. Additionally, it has introduced reform measures such as business suspension services for market entities, enhancing comprehensive support services throughout the entire enterprise life cycle.

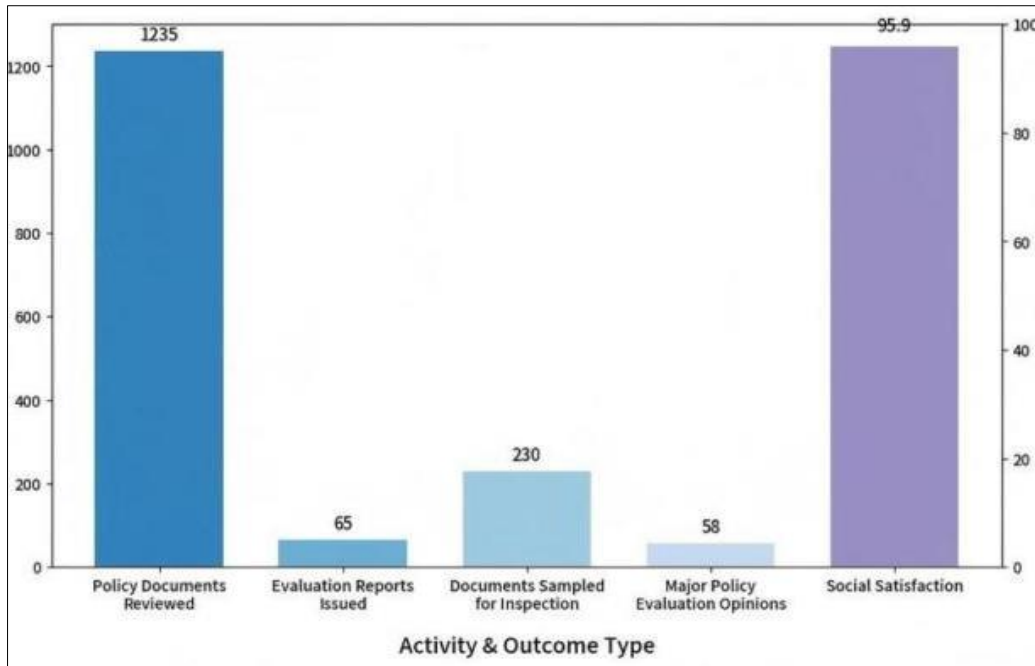


Figure 1: Policy Document Review

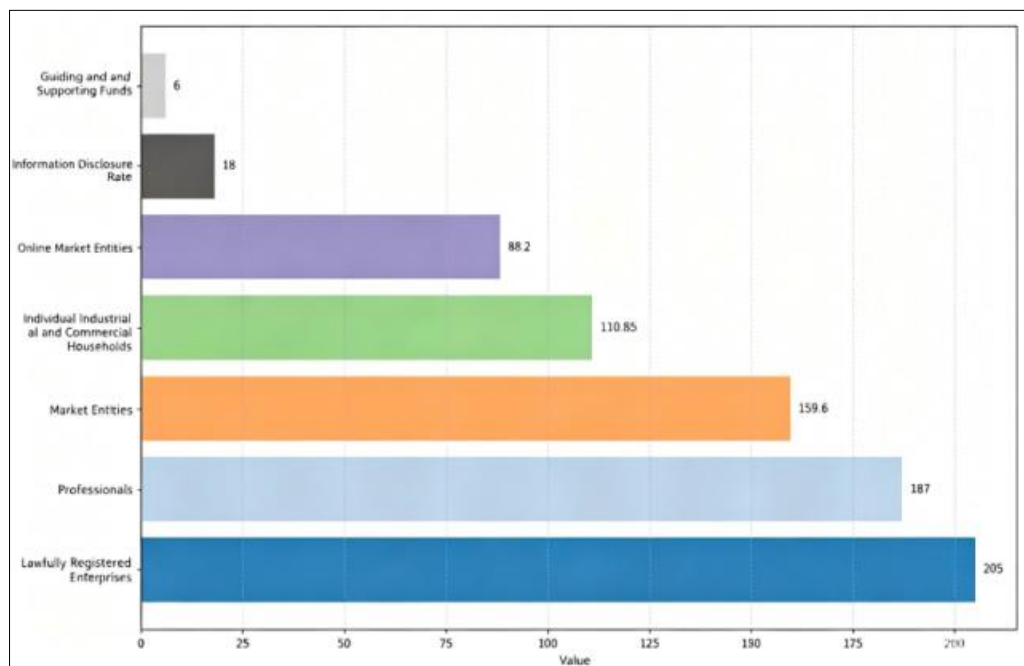


Figure 2: Market Support Performance

## 2. Prominent Problems of Power Abuse and Irregular Document Issuance

The implementation of fair competition review mechanisms in J City remains relatively weak. The following analysis will utilize authentic typical cases from the J City Market Supervision Administration in recent years as samples to identify prominent issues in system enforcement.

Articles 10 and 45 of the Anti-Monopoly Law explicitly prohibit administrative monopolistic practices. However, investigations reveal that certain districts, counties, and township governments in J City still

designate specific business entities, deprive markets of autonomous choice, establish geographical barriers, and discriminate against external market participants. At the local level, these cities continue to institutionalize transaction restrictions through official government regulatory documents, thereby undermining the effectiveness of fair competition reviews during policy drafting.

On one hand, some local governments designate specific operating agencies, restricting market entities' autonomy in selection. In June 2024, a township mandated that only institutions selected by the township

government could conduct hazardous housing assessments. On the other hand, certain regions impose geographical barriers and discriminate against external market participants. For instance, a town limited project bidding to locally registered enterprises in February 2024, while a county granted special incentives exclusively to locally-owned equity platforms in April 2021. These cases collectively highlight how local authorities use administrative directives to interfere with market mechanisms, rendering fair competition reviews merely formalities.

## DISCUSSION

### 1. Coordination Reflects Collaborative Governance Value

J City has established a collaborative working system involving multiple departments, judicial authorities, and third-party institutions, leveraging an industry expert database to enhance review quality. It has developed specialized review rules tailored for bidding and government procurement processes, conducted regular reviews of policy documents, and eliminated local protectionist provisions through measures such as administrative consultations and rectification efforts, thereby significantly strengthening the binding force of reviews. Additionally, the city integrates review work with daily market management, promotes inclusive and prudent regulation, streamlines on-site inspections and administrative penalties, and alleviates operational pressures on businesses. Capitalizing on its geographical advantages, J City fosters cross-regional cooperation within the Yangtze River Delta region, establishes an information-sharing platform, and provides compliance support services to enterprises. These measures have collectively driven sustained growth in both offline and online business entities, steadily boosting market vitality.

### 2. Institutional Gaps Lead to Regulatory Chaos

#### (1) The Evaluation Criteria Are Vague.

The fair competition review system lacks differentiated implementation guidelines at the grassroots level, reflecting inherent design flaws. Ambiguous standards leave local authorities without clear criteria for review (Chen, 2024), making it difficult to distinguish between legitimate industrial support measures and violations of competition regulations, often leading to improper inclusion of non-compliant practices within the exception scope. Case studies from J City reveal: a township restricted housing safety assessment agencies under the guise of regulatory standardization but failed identification due to absence of context-specific review criteria; a town's bidding process imposed registration location restrictions – constituting explicit regulatory barriers yet still passing review; another county linked platform rewards to registration locations, conflating industrial support with regional protectionism and differential incentives. These shortcomings prevent grassroots authorities from

accurately identifying violation types, enabling the smooth implementation of various restrictive policies.

#### (2) Weak Institutional Constraints

The fair competition review mechanism lacks a binding framework linked to local performance evaluations, fails to establish accountability and penalty standards for violations of review rules, and does not define the legal boundaries of industrial support policies. Local governments generally prioritize regional industrial development over fair market competition, often implementing protectionist measures in pursuit of short-term economic growth.

## CONCLUSION

This study finds that J City has effectively stimulated market vitality by improving institutional frameworks and fostering multi-stakeholder collaboration. However, certain local authorities still implement unreasonable policies such as restricting non-local enterprises or designating specific partner institutions. These issues stem from unclear review criteria and the absence of effective penalty mechanisms; subsequent efforts should focus on refining review rules and ensuring accountability for corrective measures. Given that this study is based solely on empirical data from one city with a limited sample size, future research could expand to multiple regions for more comprehensive analysis.

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