The Regulatory Path of "Involutionary" Competition from the Perspective of the Anti-Unfair Competition Law

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Abstract: Given the frequent occurrence of "involutionary" competition phenomena, such as forced low-price dumping in the platform economy, this paper investigates the regulatory logic and scope of application of the third revision of the Anti-Unfair Competition Law. Normative analysis and case-empirical methods were employed to extract the constituent elements of the new law on provisions for forced low-price sales by platform operators, and in light of law enforcement practices, its connection with predatory pricing regulation under the Anti-Monopoly Law was examined. The study finds that the new law shifts the focus of regulation to platform coercive behaviour and effectively addresses the deficiencies of the traditional antitrust approach in regulating situations where a platform "does not have a dominant position but possesses relative advantages". However, there is still ambiguity in the identification criteria for "below-cost pricing". To achieve precise correction of low-quality, invulnerable competition, it is necessary to refine the rules for cost calculation through the formulation of implementation details and establish an information-sharing mechanism between competition law enforcement and industry supervision.

Keywords: Anti-Unfair Competition Law; Involutionary Competition; Platform Economy; Low-Price Dumping; Competition Order

1. Introduction

The Competition for Prices in the Platform Economy is Changing in Quality. When "the lowest price across the network" is changed from a marketing slogan to a mandatory requirement for merchants set by platform rules, and when merchants who do not engage in low-price activities suffer a significant drop in traffic, the form of competition is no longer about market competition based on efficiency and innovation. Instead, it has become an organised restraint on the pricing freedom of transaction counterparties through rule-based power of platforms. Under the term "involutionary competition" in policy discourse, this phenomenon is now one of the problems addressed by the 2025 revision of the Anti-Unfair Competition Law.

On June 27, 2025, the second revision of the Anti-Unfair Competition Law was promulgated, and the new law took effect on October 15, 2025. Article 14 of the new law clearly states that platform operators shall not compel or disguise the compulsion of in-platform operators to sell goods at prices below cost according to their pricing rules and disrupt the order of market competition. Some scholars have summarized the legislative intent of this provision as "targeted rectification of cut-throat competition" [1] and pointed out that the compulsory low-price dumping behavior of platform operators is a prominent form of cut-throat competition in the platform economy.

The addition of this provision is a structural modification to the regulatory logic of China's competition law system for low-price behaviour. In 2017, the revision of the Anti-Unfair Competition Law removed the provision on dumping and moved the regulation of sales below cost to the Anti-Monopoly Law. It is assumed that only operators in a leading position in the market who engage in low-price exclusion are liable. However, the practice of the platform economy has created a regulatory gap due to this assumption [2]: a large number of platforms that do not have a dominant market position but exercise traffic control over operators in the platform system can force merchants to engage in low-price competition through rule design. Their behaviour does not fall under the scope of the Anti-Monopoly Law, and due to the deletion of provisions in the old law, it is also outside the scope of competition law regulation. Article 14 of the new law is an attempt to address this problem; therefore, the regulatory object has been shifted from "low-price behaviour" to "coercive

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behaviour", and the protection of legal interests now extends to the pricing autonomy of platform operators.

Article 14 provides the rules for institutional effects and the scope of application in this paper. In accordance with the progressive logic of "path transformation - element analysis - loophole identification - institutional reinforcement", the following two questions will be answered in this analysis: How does this provision address the deficiencies of the anti-monopoly path, and in which constituent elements does it face implementation difficulties?

2. Transformation of Regulatory Path: From Anti-Monopoly to Anti-Unfair Competition

2.1 Limitations of the Antitrust Approach

According to Article 22 of the Anti-Monopoly Law, selling goods at a price lower than the cost without any other reason constitutes an abuse of a dominant market position. The application of this regulatory system will be conditional upon the identification of a leading enterprise. The two problems of this way in the platform economy are as follows.

First, the reduction in the scope of subjects. The regulatory logic of predatory pricing assumes that the perpetrator has the capacity to drive out competitors from the market and then raise prices by means of compensating for losses, and this capacity is generally linked to a dominant market position. However, in the forced low-price behaviour of cutthroat competition, the subject may not have a leading position [3]. A medium-sized e-commerce platform or food delivery platform may have a small share of the niche market, but it has considerable power to direct traffic for the merchants on the platform and can exercise substantial control. King & Wood Mallesons correctly pointed out that the new regulations "fill the gap in the Anti-Monopoly Law by addressing the behaviour of operators with a dominant market position [4] and establish a direct legal prohibition against the unique 'forced loss-transferring' low-price competition model in the platform economy".

Secondly, there is an inconsistency in the behaviour system. Predatory pricing under antitrust law regulates the low-price sales behaviour of operators themselves, who are both the implementers and beneficiaries of such low-price behaviour. However, in the behaviour structure regulated by Article 14, the platform is the implementer of compulsion, and merchants are the implementers of low prices. The platform obtains traffic and user growth by reducing the price pressure on merchants and does not bear the cost of low prices directly. This "forced transfer" behaviour pattern cannot be explained by the analysis system of predatory pricing [5].

2.2 Normative Positioning of Article 14

The Institutional Innovation of Article 14 is a threefold change.

Shift in Regulatory Objectives: From "Low-price Conduct" to "Coercive Behaviour". The main verb in the provision is "coerce or induce by means of deceit", not "selling below cost". Therefore, the object of reconsideration for the administrative authorities should not be whether the merchant has suffered a loss due to the low price, but whether the platform has restricted the merchant's freedom of price formation. As some scholars have pointed out, this provision "focuses on the pricing rules of platform operators and responds to the 'involutionary' competition chaos caused by the abuse of autonomous rules by platform operators in the digital market from the perspective of the rule of law".

Reinterpretation of the Principal Relationship: Shift from Formal Equality in Contracts to Substantive "Economic Power" Domination. Although the service agreement is the official document for the platform and merchants, there are also essential resources of the platform, such as traffic allocation, activity access, credit assessment and data interfaces. Merchants are very reliant on the platform for customer acquisition and have high switching costs. The imbalance of resource distribution constitutes the foundation for the emergence of "coercion". In the course of law enforcement, we should not be bound by the appearance of equality in the contract text and need not consider whether the platform can, in fact, control the price setting of merchants at the fundamental level.

Expansion of legal protection for legitimate interests: From competition authorities to regulating the operational autonomy of platform operators. Article 14 does not require the result of "disrupting the market competition order" to protect the pricing freedom of merchants. When the platform forces the merchant to set a price below the cost through traffic coercion or punitive measures, it directly violates the right of independent decision-making for self-operated businesses and is thus a form of disruption to the

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order of competition [6].

2.3 Development of Regulatory Timing

Another institutional advantage of Article 14 over the anti-monopoly model is the structural improvement in the timing of regulations. Regulation of predatory pricing under the Anti-Monopoly Law requires proof of "competition harm" as the outcome. The administrative authorities need to determine whether the low-price behaviour will lead to a reduction or restriction of competition. This proof often needs to observe changes in the market structure after the behaviour has occurred for some time, and the regulation is delayed in relation to the harm. Article 14, however, adjusts the regulation time to "the time of application of coercive behaviour". At that point, the pricing freedom of merchants will have been violated by the platform's coercion. A large number of merchants are forced to sell at a loss; thus, there is also a distortion in the price signal mechanism. The enforcement authority can launch an investigation before the end of the competition among enterprises. The normative implication of this development is to shift the focus of regulation from "post-event relief" to "in-process intervention" and prevent the formation of involutionary competition in the market structure.

Shifting the time point will also change the arrangement of the subject of proof. According to the antitrust approach, the law enforcement authority needs to prove "exclusionary intent" and "competitive harm", and in accordance with Article 14, the subject of proof is whether there is "coercive behaviour" that has deprived merchants of pricing freedom through rules, algorithms or punitive measures. A reduction in the scope of proof will lower the threshold for law enforcement and make Article 14 more suitable for addressing the problems of rapid replication and widespread organisational competition in the platform economy. The expression "disrupting the order of market competition" in Article 14 should be understood as referring to the characteristics of the behaviour rather than harmful consequences; in fact, the mandatory low-price rule itself has the nature of disrupting the order of competition and does not need to be separately proven as causing harm. This interpretation position is in line with the legislative position of "targeted rectification" and provides a doctrinal foundation for the "rule-based review" method of law enforcement in Chapter 3.

3. The Constituent Elements and Application Difficulties of Article 14

3.1 Identification of "Compulsory or Disguised Compulsory"

A typical form of "coercion" is relatively obvious: the platform explicitly requires merchants to sell at a certain price in the agreement or rules, or directly alters the listed price of the merchant through technical means. The problem of weak enforcement is that there is no "compulsion in disguise".

Based on the analysis of anti-unfair competition regulatory enforcement in Guangdong Province, there are three types of disguised coercion. Traffic coercion: Requiring participation in certain low-price activities to obtain traffic privileges, priority display, or access to major promotions, merchants are left with the choice of "no exposure without price compliance". Punitive Pressure: The search de-weighting, activity blocking, increase in commission, restricted cash withdrawal and shortening of payment terms for merchants who fail to meet the low-price requirements. Algorithm modification: Set a price upper limit for the algorithm to prevent listing or adding to the recommendation pool of products with prices exceeding this limit, and this limit is already below a reasonable cost.

A typical characteristic of hidden coercion is that the platform does not use direct commands; instead, it is known that merchants will be disadvantaged in the market due to the rules established by the platform and their pricing freedom will be substantially curtailed if they do not comply with these rules. The court needs to assess the actual operating effects of the platform rules in this case, not just the text of the rules.

3.2 Criteria for Identifying "Below Cost"

According to Article 14, this is the most difficult part to implement in practice and also corresponds to the specific reference of "vague identification criteria" mentioned in the abstract of this paper.

Selection of Cost Subjects. The behaviour pattern regulated by Article 14 is "platforms compel merchants to sell at low prices". Therefore, "cost" should refer mainly to the individual expenses of operators on the platform and not the platform's own expenses or the average cost of the industry. If the industry average cost is taken as the

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reference, the differences in procurement channels, economies of scale and operational efficiency of various merchants will not be revealed; if the platform's costs are used as the reference, it will contradict the expression "operators within the platform. selling goods" in the article.

The Complexity of Cost Composition. The costs of operators in the platform include not only the costs of commodity procurement or production, but also various other components such as platform commissions, marketing and promotion fees, technical service fees, warehousing and logistics fees, etc. The pricing rules of the platform can also be changed dynamically, and commissions and promotional expenses during large-scale promotions are often different from those in daily operation; thus, there is no stable basis for calculating "costs". According to the above analysis, a reasonable and practical core standard for average variable cost can be set; if the selling price is consistently lower than this amount, it will be impossible to cover the marginal costs of production, and the company's operation cannot continue. Their goal is often not to promote the product in the market, but to meet the requirements set by the platform [7].

Defence of Legitimate Reasons. Short-term and reasonable sales below cost, such as inventory clearance, seasonal price reductions, and the sale of fresh and live goods, should be excluded from the scope of regulation. The problem is that Article 14 does not provide for the defence of legitimate reasons. If the burden of proof lies with the merchant, it is inconsistent with the logic of a "mandatory" burden of proof; if it is borne by the platform, then the types and proof standards for defense reasons need to be specified in the implementation details. Platform subsidies alter the cost structure. Another special difficulty in the application of Article 14 lies in the fact that platform subsidies change the correspondence between "cost" and "selling price". Platforms often reduce the prices of merchants through various means, such as money-off coupons, category subsidies, traffic support and commission reductions. In a transaction, the price paid by the consumer may be lower than the merchant's list price, and the difference is covered by platform subsidies; although the merchant's book income may not be lower than the cost, the "low-price appearance" created by the platform through subsidies can also squeeze out competitors and induce internal competition. At this time, if only the merchant's actual selling price and cost are considered by the enforcement authority, it may be determined that "it is not below cost" and fail to take into account that platform subsidies are also included in the mandatory low-price rule.

A more serious problem is the price decline after the reduction in subsidies. The platform will offer reduced prices during the promotion period. When the merchants become too dependent and the competition declines, subsidies will be reduced. At this time, the merchants have to choose between bearing the losses themselves to keep the original price or raising the price and losing platform traffic. The former choice is to maintain the effect of forced low prices; the latter choice is to reveal the abnormality of low prices during the subsidy period. Article 14 cannot be applied to this intertemporal strategy based on the relationship between price and cost during the subsidy period. Therefore, it can be seen that only the calculation of "individual costs of merchants" is not enough to achieve the regulatory goal of Article 14. Law enforcement review needs to extend to the pricing rules and subsidy mechanisms of the platform itself to identify all instances of forced low prices.

3.3 Connection with Predatory Pricing in Anti-Monopoly Law

Article 14 and Article 22 of the Anti-Monopoly Law work together to achieve their goals: Platforms with a dominant market position engage in low-price exclusion, and the Anti-Monopoly Law is applied; for those without a dominant position who use rules to force merchants to lower prices, Article 14 is applied [8]. There is no need to demand uniformity in the standard for determining "below cost" between the two; the cost standard in the context of the Anti-Monopoly Law serves to demonstrate the intent of exclusion, and the cost standard in Article 14 is used to quantify coercive behaviour. Because of different regulatory purposes, the norms will differ [7]. However, at the level of law enforcement information, the pricing rules and cost data obtained by market regulatory authorities in anti-monopoly investigations can provide a basis for applying Article 14, and the construction of an information-sharing mechanism is thus of practical significance.

4. Path to Well-Established Regulations

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4.1 Refine the Enforcement Measures for "Disguised Compulsion"

It is proposed that the State Administration for Market Regulation explicitly list the three types of disguised coercion in the supporting regulations or enforcement rules and add a general provision. At the same time, it should be specified that "pricing rules" refer to a large number of rules, including not only the explicit rules publicly released by the platform but also the "substantive rules" that are actually implemented through algorithms, backend settings, verbal instructions, implicit agreements and other means, and have a significant impact on the formation of merchant prices [9,10]. If only written rules are established, they may not cover the use of voice commands or hidden algorithm modifications on the platform.

4.2 Build a Recognition Mechanism Based on Platform Rule Review and Conduct Occasional Spot Checks of Merchant Costs.

Given the problem of identifying "below-cost" pricing, it is not feasible to calculate the costs of each merchant individually in terms of enforcement costs. Consider using the pricing rules of the platform itself as the starting point for review; if the price level set by the platform rules is consistently lower than the average cost in the industry or the general cost of merchants on the platform, it can be assumed that the rule has the effect of creating a low-price competition. The normative basis for this presumption can be derived from the phrase "in accordance with its pricing rules" in Article 14; thus, the legislator has included "pricing rules" in the behavioural elements, and the review of these rules also has a normative foundation. Based on the above, a sampling cost verification can be conducted on merchants engaged in low-price activities to form a dual-tier structure of "rule review presumption + case verification".

4.3 Establish Information Sharing Between Competition Law Enforcement and Industry Supervision

Article 14 of the law requires the collection of industry-specific cost and business-condition data by law enforcement agencies. In the course of reviewing the pricing rules for platforms, market supervision departments can request data on the average costs and profit margins of certain industries from industry authorities to address the lack of such information within law enforcement agencies. At the same time, the pricing rules and cost information obtained by anti-monopoly law enforcement agencies during investigations into platform behaviour under the Anti-Monopoly Law can be shared with anti-unfair competition law enforcement departments of statutory authorities to avoid redundant evidence collection and standard conflicts.

5. Conclusion

The institutional value of Article 14 is to expand the regulatory scope of competition law to platform behaviour that "does not have a dominant position but has coercive power", use "coercion" instead of "low prices" as the normative basis, and address the coverage gap in antitrust policy. The effectiveness of regulation depends on the implementation of two key links: "disguised coercion" should be identified at the stage of deprivation of substantive pricing autonomy, and "below cost" requires starting with a review of platform rules and verifying through merchant cost data. The "rule review-oriented" way put forward in this paper is to avoid the problem of a declaratory provision arising from vague content in Article 14. The first problem of the involutionary competition in the platform economy also needs to be addressed by the "Price Law", the "E-commerce Law" and competition law. This problem has not been addressed yet.

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