

# ***Analysis of How Industrial Policy and Competition Policy Promote the Development of Cross-border E-commerce Enterprises***

## ***—Take the Unicorn Company Shein as an Example***

Shenrui Liang<sup>1,a,\*</sup>

<sup>1</sup>*Institute of Law, University of Macau, Avenida da Universidade, Taipa, Macau, China*  
*a. mc44656@um.edu.mo*

*\*corresponding author*

**Abstract:** Since the 20th National Congress of the Communist Party of China, the central government has proposed to realize the economic development model of domestic and international dual circulation. The development of China's cross-border e-commerce industry is in the ascendant, and the unicorn company Shein has achieved successive revenue achievements in recent years. However, there are still problems with the external environment, which is dominated by industrial policy and competition policy. This paper analyzes the current external environment of China's cross-border e-commerce, analyzes the relationship between China's industrial policy and competition policy, and enlightens the competition policy adjustment of China's cross-border e-commerce industry through foreign experience.

**Keywords:** Shein, cross-border e-commerce, industrial policy, competition policy, correlation.

## **1. Introduction**

### **1.1. The current external environment of the cross-border e-commerce industry**

Today, China has provided tremendous support for the development of cross-border e-commerce in terms of industrial and competition policies. The country has continuously introduced industrial policies such as the "14th Five Year Plan for the Construction of Modern Circulation System", the "Action Plan for Innovative Development of State owned E-commerce", and the "14th Five Year Plan for High quality Development of Foreign Trade" to encourage the continuous innovation and development of cross-border e-commerce. The favorable industrial policies have laid a political foundation for the cross-border e-commerce industry represented by unicorn company Shein to embark on the fast lane of development, and provided a broad market and relatively relaxed production and operation environment. At the same time, since 2008, with the implementation of China's Anti Monopoly Law, the country's competition policy has been continuously improved, including the "Regulations on the Standards for Declaration of Concentration of Business Operators" and the "Opinions on Establishing a Fair Review System in Market System Construction". In 2017, the State Council also proposed to strengthen the role of competition policy in order to accelerate the transformation and upgrading of functional industry policies. Moreover, the promulgation of the

Chinese People's E-commerce Law and the Measures for the Supervision and Administration of Online Transactions have provided legal protection for cross-border e-commerce and consumers, while also regulating the development of the cross-border e-commerce industry.[1] However, the improvement of industrial policies and competition policies to promote cross-border e-commerce is a long and arduous task in the future.

## **1.2. Current Development Issues Faced by Shein**

Shein is a fast fashion e-commerce company that has developed rapidly in recent years. From initially focusing on wedding dress business, it has since expanded to mainly engage in high-value women's clothing, as well as men's and children's clothing. In recent years, whether it is the decline in sales of international fast fashion giants such as ZARA and H&M, or the difficulties faced by La Chapelle, it indicates that fast fashion is facing unprecedented difficulties. However, on the contrary, Shein was able to generate \$15.7 billion in revenue in 2021, driven by young consumers such as Generation Z.[2]

Although Shein Company has taken a very positive attitude towards utilizing the macro market environment and policy support currently available in China, there are still significant challenges in its rapid development. In terms of sustainable development, the overall growth rate of Shein Company has gradually stabilized, with a decrease in growth compared to previous years; In addition, the low-end labor market in China and even overseas is gradually declining, and the supply of low-end labor is insufficient; Moreover, as the COVID-19 has become a thing of the past, offline physical stores are constantly resuming their operations, competing for a large number of sales scale of the original Shein market. Shein will have to find ways to adjust its own business mode and competition mode in the future. Introduction to Policy Coordination.[3]

## **2. Interpretation of Industrial Policy and Competition Policy from the Perspective of Competition Law**

### **2.1. Analysis of Industrial Policies**

In the current new normal of the Chinese economy, industrial policy refers to the government's intervention in the market by guiding, supporting, adjusting, and restricting certain industries or enterprises to achieve specific economic goals during a certain period. [4] The industrial policies that competition law focuses on emphasize more on the subsidy and relief methods or market access restrictions included in industrial policies for achieving technological innovation, poverty alleviation, environmental protection, industrial transformation, structural reform and other goals.

From a functional perspective, industrial policies can effectively unify and concentrate resources, leading to the concentrated expansion and development of industries, and significantly strengthening the advantages of industry markets. The industrial policy is more about clarifying what the government should do and how to do it, both being a proactive and transparent government. Therefore, from the perspective of the role of industrial policies, it can be seen that industrial policies play an external and macro role in the development of China's market economy today, ultimately easing or avoiding market failures.

However, industrial policies also have their own shortcomings. The flexibility and timeliness of industrial policies are insufficient, making it difficult to adapt to the rapid changes in the market in a timely manner. Moreover, industrial policies are formulated by the national government, which has a clear national will. Therefore, to some extent, it is difficult to achieve the equality required by the market economy.

## 2.2. Analysis of Competition Policy

Competition policy in today's socialist market economy with Chinese characteristics refers to what various market entities, mainly enterprises, should not and cannot do in the process of modernizing the industrial chain. It reflects the activity boundaries of each market entity. [5] Under the current economic system in China, it advocates for the decisive role of the market in resource allocation, with the aim of creating a fair and competitive market economy and industry environment. The narrow definition of competition policy in China generally refers to a series of laws and regulations represented by the Anti Monopoly Law of the People's Republic of China that oppose monopolistic operations and promote fair market transactions.

The current promotion of competition policy is mainly due to China's profound understanding since the reform and opening up that only by continuously promoting and protecting competition can the endogenous driving force and development potential of various enterprises in each industry be stimulated, allowing enterprises to spontaneously perceive the development direction of the market, find enterprises with high economic development efficiency in the industry, and ultimately effectively promote the transformation and upgrading of the industry and technological innovation.

However, we must recognize that the competition policy under the socialist market economy, that is, under the regulation of China's anti-monopoly law, although it can effectively maintain and promote the innovation of market mechanisms, has certain shortcomings, that is, it cannot completely balance and coordinate the development of a certain industry or sector. Furthermore, competition policy cannot achieve the repair of market failures and avoid the waste of various resources and low economic development efficiency caused by market failures.

## 3. The Relationship between Industrial Policy and Competition Policy from the Perspective of Competition Law

### 3.1. Industrial policies dominate

In 2020, the Central Committee of the Communist Party of China proposed to build a new development pattern with domestic circulation as the main focus and international and domestic dual circulation. This undoubtedly indicates that in the new development pattern, it is particularly important to correctly handle the relationship between industrial policies and competition policies in cross-border e-commerce. Through a detailed analysis of the main meanings, manifestations, functions, and respective shortcomings of industrial policy and competition policy from the perspective of current competition law in China, we can conclude that fundamentally, the relationship between the two is complementary; In terms of policy nature and resource allocation, the two are interdependent and inseparable.[5]

Based on the influence of history and national conditions, China is a socialist country. Even after 40 years of reform and opening up and the establishment of a socialist market economy system with Chinese characteristics, the external environment of market competition in our country is mostly dominated by industrial policies, because industrial policies reflect the government's subjective willingness to concentrate resources and accomplish great things in a unitary state. Secondly, as a latecomer developing country, China's market economy is relatively immature to some extent, and the market may experience significant fluctuations and changes from time to time. Finally, based on the national structure of our country, the judicial organs, namely the courts and procuratorates, do not have legislative power. Legislative power is only concentrated in the National People's Congress and the People's Procuratorate. Economic law in China belongs to the public law system. Although many scholars have classified it as a law that combines public and private law in recent years, it still focuses on regulating public power and adjusting the relationship between the state and private entities. In

civil law countries where the administrative department has greater power, the administrative department is more deeply involved in economic governance. Many countries practice industrial policies and allow for the existence of anti competitive mechanisms such as cartels. The characteristic of the deep involvement of administrative departments in the legislative and enforcement processes in the traditional civil law system not only constrains the distribution of power in the legislative, judicial, and administrative systems of the entire national structure, but also ultimately affects the entire economic governance model.[6]

### **3.2. Strengthening the fundamental position of competition policy**

Industrial policies can provide favorable market conditions for the implementation of competition policies, and competition policies can also provide a market operating foundation for the formulation of industrial policies. In the development pattern of dual circulation, it cannot be denied that China needs to accelerate the promotion of the three pronged approach of economic development quality, efficiency, and momentum, and jointly improve them. However, in order to promote the quality, efficiency, and driving force of economic development, it is necessary to establish fair competition market conditions and external environment. In this context, it is necessary to strengthen the fundamental position of China's competition policy and increase its application.

The current economic situation in the world is showing a process of anti globalization, which is due to the fact that countries are constantly implementing corresponding industrial policies to protect their own social and economic development. Therefore, China hopes to avoid the impact of the global anti globalization trend by implementing competition policies to stimulate the market and encouraging competition. The implementation of the Anti Monopoly Law and the fair review system further demonstrates the Chinese government's respect for market laws, promotion of free competition, and the decisive role of the market in resource allocation under the new economic development trend, truly enabling the interaction between international and domestic markets.[7]

It cannot be denied that in the process of implementing a market economy in China, the Anti Monopoly Law often plays the role of an economic constitution, indicating that China's competition policy has a certain restraining effect on the industrial policies implemented by the government. Under the regulation of competition policies in the cross-border e-commerce industry, the role of competition policies is to maintain market stability and strengthen order supervision; Protect fair competition and limit government intervention in the cross-border e-commerce industry. The rapid development of Xiyin, a cross-border e-commerce enterprise in China, can not be separated from the promotion of the national competition policy to stimulate the market economy in recent years due to the COVID-19 epidemic.[8]

## **4. The Relationship between Industrial Policy and Competition Policy from the Perspective of Comparative Law**

### **4.1. Policy Practice of EU Countries**

Europe does not advocate excessive government intervention or even laissez faire towards a market structure developed with a capitalist market economy. After experiencing free competition, monopolistic competition, and even state intervention in the economy under the guidance of Keynesianism, it is still not excessive intervention. European countries have always believed that the market is like an "invisible hand" that spontaneously perceives the development trend of the market, and can sensitively detect short-term changes in the market and make adjustments at any time.

Currently, Europe has a relatively cautious attitude towards industrial policy and still primarily regulates the market through competition policy. However, some European countries have gradually shown a trend towards industrial policies, attempting to promote the development of strategic

industries through industrial policies. Based on this, the EU has undergone a certain degree of policy change: firstly, regarding the large aircraft industry, the EU has decided to negotiate on an equal footing and temporarily suspend disputes over policy application; Secondly, in the semiconductor industry, the European Union has begun to recognize the importance of industrial policies for the development of this industry, and the two sides have reached a cooperation agreement; Thirdly, in the electric vehicle industry, the EU does not recognize the use of industrial policies for adjustment.[9]

#### **4.2. Japan's Industrial Policy and Competition Policy**

Japan began its industrial policy transformation in the 1980s and continuously explored the relationship between industrial policy and competition policy in Japanese industries during this process. After experiencing a period of industrial policy dominance, a period of strengthened competition policy, and now a period of coordinated development between industrial policy and competition policy.

In practical terms, the Japanese government has summarized the need to coordinate the two policies and jointly contribute to the industrial economy. Firstly, it is necessary to separate the departments responsible for formulating industrial policies and competition policies. Specifically, the Ministry of Industry and Economy does not participate in the formulation of competition policies, and instead falls under the responsibility of the Fair Trade Commission. The Ministry of Industry and Economy formulates Japan's industrial policies within the scope prescribed by law. Secondly, developing common enforcement guidelines is necessary. As industrial policies and competition policies have their own advantages in terms of regulatory purposes, regulatory measures, and relief measures, it is necessary to fully utilize the different roles of the two policies in seeking industrial development, and how to coordinate them specifically requires specific analysis by each industry. [10]Finally, it is necessary to clarify the implementation details. Japan also has the Anti Monopoly Law as the main form of competition policy, but it has formulated many implementation details based on the basic characteristics of various industries, which are specific and clear. At the same time, in the legislative approach of Japan's competition policy making agency, the Fair Trade Commission, different competition policies are also distinguished for key areas, and there is no clear exclusion of industrial policies regulating these key industries. Instead, industrial policies are implemented for emerging fields and high-tech innovation fields, and specific implementation rules and guidelines are formulated to balance the relationship between industrial policies and competition policies.[11]

#### **5. The solution path for the relationship between China's cross-border e-commerce industry policy and competition policy**

Through the analysis of the current situation of industry competition and competition policy in the external environment of cross-border e-commerce enterprises represented by Xiyin Company in the previous text, further analysis is conducted on the relationship between industry policy and competition policy in the field of competition law in China today, as well as detailed descriptions of various viewpoints. It can be seen that in the field of competition law in China today, although in 2016, Professors Lin Yifu and Zhang Weiying had their own views on whether the development of China's economic industries should be based on industrial policies or competition policies, which led to heated discussions on the relationship between industrial policies and competition policies in China, the current mainstream viewpoint in China still does not clearly lean towards either side, nor has it reached a definitive conclusion on what policies should be the main focus when China enters a new development normal.

## 6. Conclusion

In summary, the synergy between industrial policy and competition policy is crucial for the sustained growth of China's cross-border e-commerce industry, as exemplified by Shein's success. The paper has highlighted the necessity for a balanced approach that leverages the strengths of both policy frameworks to create a conducive environment for the industry's development. The future of China's cross-border e-commerce industry depends on the ability to harmonize these policies, ensuring that the industry can adapt to changes and challenges while maintaining a competitive edge. A clear articulation of competition policy goals, coupled with a robust industrial policy, will be key to fostering a dynamic and fair regulatory environment that supports innovation and addresses market failures.

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