

# Achievements, Dilemmas and Countermeasures of Business Environment Construction in Ethnic Areas

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**Abstract**—The policy system for optimizing the business environment of ethnic minority areas in China has basically taken shape, but the measures it has taken are similar to those taken in other regions, failing to integrate with the autonomy enjoyed by ethnic autonomous areas and the economic policies of the state to promote the development of ethnic autonomous areas. Improving the institutionalized level of business environment construction combined with autonomy in ethnic minority areas, creating depressions of investment value in conjunction with preferential policies for ethnic minorities, and promoting the legalized level of business environment construction through strengthening supervision in ethnic minority areas are conducive for the policies of optimizing business environment to take root in ethnic minority areas.

**Keywords**—Autonomy, national economic policies, process supervision, institutionalization

## I. INTRODUCTION

China's ethnic autonomous areas cover an area of 6.133 million square kilometers, and the ethnic areas are vast. However, the business environment construction in ethnic areas still lags behind the developed areas because of the constraints of natural environment, backward infrastructure construction and unreasonable industrial structure. Optimizing the business environment in ethnic minority areas is conducive to the reform, development and stability of ethnic minority areas, and also provides new development ideas and opportunities for social governance in ethnic minority areas. Based on this, this paper comprehensively analyses the era motivation of business environment in ethnic areas, the current situation and dilemma of business environment construction, and puts forward corresponding countermeasures and suggestions.

## II. CURRENT SITUATION OF BUSINESS ENVIRONMENT CONSTRUCTION IN ETHNIC MINORITY AREAS OF CHINA

According to *China Statistical Yearbook 2018* from State Statistical Bureau of China, there were 18,097,682 registered enterprises in China in 2017, of which 881,473 were in the five

autonomous regions, accounting for 4.87%. The number of private enterprises registered in China was 14,368,860, of which 728,699 were registered in the five autonomous regions, accounting for 5.07%. China's ethnic minority areas account for about 64% of the country's territory, but the number of enterprises only accounts for about 5% of the country's total, reflecting the imbalance and insufficient of the development.

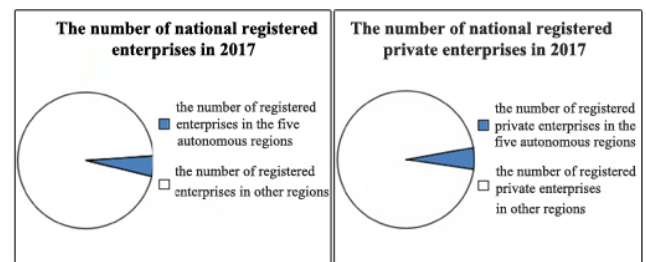


Fig. 1. The registered enterprises in China in 2017

The World Bank defines the business environment as “the time and cost required for companies to comply with policies and regulations in terms of start-up, operations, trade activities, taxation, bankruptcy and contract execution”. The number of enterprises in minority areas is relatively small, various factors of production are not active enough and the role of resource allocation of the market cannot be fully exerted, which intuitively reflects the necessity and urgency of building a business environment in the region. Optimizing the business environment is a new strategy for economic development proposed by the Party Central Committee with President Xi Jinping as the core. It is also the new goal of the reform of “decentralization, management and service” after the 19th National Congress. In the process of promoting the optimization of the business environment construction from the top to the bottom, the ethnic minority areas have adopted a number of measures such as relaxing market access, simplifying the approval process, standardizing the operation and strengthening supervision, which improves the business environment to some extent.

Up to now, the relevant policies to optimize the business environment have formed a top-down and comprehensive policy system. In August 2015, the State Council promulgated

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the “Opinions on Promoting the Modernization of Domestic Trade Circulation and Building a Legalized Business Environment”. Subsequently, the people's governments of the five autonomous regions formulated the “Implementation Opinions on Promoting the Modernization of Domestic Trade and Circulation and Building a Legalized Business Environment”, and formulated some targeted measures. It is almost simultaneous with the “Notice on Focusing on Corporate Concerns to Further Promote the Implementation of the Business Environment Policy” issued by the General Office of the State Council that the five autonomous regions except Tibet have formulated corresponding implementation plans to further enhance and optimize business environment, and their autonomous prefectures and counties have also enacted the implementation plans and action plans in 2018, and have made a series of progress.

The business environment construction in ethnic minority areas has developed rapidly, taking Xinjiang Uygur Autonomous Region as an example, the achievements in business environment construction include: shortening the start-up time of enterprises to 8.5 working days, canceling 7 administrative licensing items such as the approval of foreign investment in road transport industry, optimizing the real estate approval process, implementing “tax on one net” and introducing 94 measures to optimize the taxation process, reducing the cost of the real economy by 62 billion Yuan through cutting taxes and administrative fees, and picking up of the loan growth.<sup>1</sup> The Guangxi Zhuang Autonomous Region has introduced and implemented 38 and 48 articles of steady growth, 41 articles of cost reduction to deepen the “decentralization, management and service”.<sup>1</sup> The time limit for the administrative services of districts, cities and counties has increased by an average of 62%, 56% and 50% respectively. The commercial system reform of “integrating multiple licenses into one” has been carried out, and more than 2,000 new market entities have been added every working day averagely.<sup>2</sup> It can be seen that in accordance with the requirements of The State Council to optimize the business environment, ethnic minority areas have made great efforts to make up for the shortcomings of the local business environment by focusing on business start-up, access to electricity, credit and water.

### III. PROBLEMS IN BUSINESS ENVIRONMENT CONSTRUCTION IN ETHNIC MINORITY AREAS OF CHINA

#### A. Policy Formulation is in Line with the Central Government

For example, the “Autonomous Region's Implementation Plan for Further Improving and Optimizing the Business Environment” formulated by the Xinjiang Uygur Autonomous Region is basically identical in style and content with the “Notice on Focusing on Corporate Concerns to Further Promote the Implementation of the Business Environment Policy” issued by the General Office of the State Council. Compared with the “Notice” and “Autonomous Region's Implementation Plan for Further Improving and Optimizing the

Business Environment” issued by Xinjiang Uygur Autonomous Region, the “Implementation Plan for Further Upgrading the Optimized Business Environment” (draft for consultation) formulated by Turpan City, which is a prefecture-level city under the jurisdiction of the district, also applies the same structure in form, copies and plagiarizes the provisions. In Ningxia Hui Autonomous Region, Guangxi Zhuang Autonomous Region and other minority areas, the policy of optimizing business environment is also focused on the consistency with the policy of the central government, which fails to reflect the policy differences of optimizing business environment between non-ethnic areas. But objectively speaking, there are some special problems and difficulties in the development of ethnic minority areas. The implementation of policies from top to bottom is likely to lead local governments to execute them on the surface but not to implement them. The central government formulates the next stage strategy according to the superficial articles of local government feedback, resulting in unscientific decision-making. In China, the state has implemented preferential policies for ethnic minority areas and formulated differentiated support policies in finance, taxation, finance and assistance, which have given ethnic minority areas unique advantages in business environment construction. However, these policies have not been combined with policies to optimize the business environment, which is not conducive to giving full play to the advantages of regional ethnic autonomy system and stimulating the internal motivation of ethnic areas.

#### B. The Measures are Basically Similar to those of Other Regions

Judging from the specific measures to optimize the business environment in ethnic areas, they are basically similar to other regions, which is not conducive to exerting superior factors and overcoming adverse conditions. Compared with other regions, the business environment construction in ethnic minority areas has lower levels of industrial development, weak infrastructure construction, relative scarcity of human resources and inadequate innovation ability. If we do not take appropriate measures, the effect will be limited. However, the state has also issued a series of supporting policies for minority areas, such as the 13th Five-Year Plan for Promoting the Development of Minority Areas and Minority Nationalities with Less Population, formulated by the State Council, which promotes the development of minority areas in terms of strengthening infrastructure construction, financial services and supporting the construction of market system in minority areas. These support measures are inextricably linked to the optimization of the local business environment, both in terms of content and purpose. Looking at the business environment in isolation, ignoring the state's measures to improve the investment environment and operating conditions in ethnic minority areas, and putting the basic policies of “the state helps ethnic minorities and ethnic areas to develop their economy” and “the autonomous development of local ethnic economies in ethnic autonomous areas according to law” on the shelf, are easy to make the business environment construction of the national autonomous areas owing to the surface, and become a mere formality.

<sup>1</sup> Description of Optimizing Business Environment in Xinjiang through Pictures [N]. Xinjiang Daily. 2019-3-6. (A06 version)

<sup>2</sup> Taking the Optimization of the Business Environment as A Breakthrough to Inject New Impetus into the Realization of High-quality Development [N]. Guangming Daily. 2018-7-26 (A06 version)

### C. It Fails to Give Full Play to the Advantages of Minority Areas

Ethnic minority areas are vast in territory, rich in natural resources and unique in culture. Ethnic areas have an incomparable cultural advantage over the central and eastern regions. The national characteristics are formed by the long-term accumulation of various ethnic groups, combined with the natural geographical environment and living habits, such as the highland barley of Tibetans, the Kumiss of Mongolian and the operas of Guizhou. At present, ethnic minorities' demands for cultural rights and interests are relatively weak. Strengthening the protection of intellectual property rights in minority areas and enabling minorities to take full advantage of knowledge resources to participate in market competition is an important part of the business environment construction. However, it is rarely mentioned in the business environment construction in ethnic minority areas. The ethnic areas also have various policy advantages, such as the ethnic economic policies to help and support the development of ethnic areas, the fiscal policies to increase the transfer payments in ethnic areas, and the industrial policies to develop modern industry and promote the development of ethnic areas. In addition, the ethnic minority areas also involve the regional economic policies that coordinate the development of the western region in the strategy of developing the western region, differentiated poverty alleviation policies that support the development of poverty-stricken ethnic regions and the actions that vitalize border areas and enrich the people living there, the supporting policies that assist special program for the development of less populated ethnic groups, the economic policies related to the strategy of "the Belt and the Road" that runs through most ethnic regions in China, and the policies of the economically developed areas to support ethnic minority areas. The preferential policies implemented by the state in ethnic areas contain abundant political resources, but this advantage has not been fully reflected in the construction of business environment.

### D. Supervision Measures Have not Been Followed up in Time

Some ethnic minority areas have taken full advantage of their special economic policies, but they have not combined with the business environment construction and failed to keep up with supervision measures, which result in frequent chaos. For example, in the Horgos Special Economic Development Zone, which was produced under the background of "the Belt and the Road", the Ministry of Finance and the State Administration of Taxation issued the "Notice on the Enterprise Income Tax Preferential Policies for Two Special Economic Development Zones in Kashgar Horgos, Xinjiang" in 2011, determined that the enterprise that is newly established in the special area and belongs to the "Preferential Catalogue of Income Tax for Industrial Enterprises Specially Encouraging the Development of Industrial Enterprises in Difficult Areas in Xinjiang" will be exempted from enterprise income tax in full within five years. A large number of light asset companies such as advertising, film and television media, information technology, and equity investment have surged to more than 14,000 by the end of 2017, but only 2% of them were real economy enterprises. The remaining 98% of them were not field-operated and were centrally registered in residential buildings. The "one site with multiple licenses" registration

place, tax evasion, money laundering, and accounting information fraud emerge in endlessly. At the end of 2017, Xinjiang Radio and Television Bureau suspended the processing of administrative approval for film and television. In April 2018, the government of Horgos began to require enterprise entities and offices to register "one address with one license", and demanded 2118 enterprises to conduct tax self-examination. As a result, the cost of enterprises increased significantly and a large number of enterprises closed down. Before the cultural industry took root in Horgos, it disappeared.<sup>3</sup>

## IV. COUNTERMEASURES AND SUGGESTIONS

The business environment construction in ethnic minority areas needs to learn from the experience of other regions and implement the "common" measures, such as promoting the exercise of local government's rights according to law, reducing the direct allocation of government resources, fully implementing the system of protecting property rights, ensuring the personal safety of various market entities, providing excellent public services, and strictly supervising the market. It also needs to proceed from the specific conditions of ethnic areas, focus on integration with the national economic policy system, take into account various policy objectives, formulate differentiated implementation plans, and combine the laws, regulations, and policies of the national autonomous areas provided by the state, with the optimization of the business environment. However, it should be emphasized that the purpose of optimizing the business environment in ethnic areas is not to attract investment through preferential treatment and "super national treatment", but to stimulate their vitality and creativity to the maximum extent on the premise of guaranteeing equal opportunities, equal rights and equal rules for all kinds of market entities.

### A. Combining Autonomy to Improve the Institutionalization Level of Business Environment Construction in Ethnic Areas

The *Constitution of the People's Republic of China* stipulates that ethnic autonomous areas enjoy autonomy, while the *Law of the People's Republic of China on Regional National Autonomy* further clarifies that ethnic autonomous areas have the right to arrange economic construction independently. If the autonomy of minority areas in infrastructure construction, enterprise and enterprise management, fiscal revenue and tax policy can be combined with the business environment construction in local ethnic areas, especially combined with the autonomous legislative power in Minority Autonomous areas, a strong economic and social foundation can be provided for the business environment construction. When the ethnic minority areas acquire mature experience through exploring the business environment construction and are recognized by the society, they should be systematically solidified in the form of legislation in time, which is conducive to extending policy effectiveness. Policy experiments should be actively carried out in ethnic minority areas that embedding the purpose of optimizing business environment into local legislation and self-government legislation in ethnic autonomous regions according to the

<sup>3</sup>Zhang Wei. Analysis and Improvement of Economic Conditions in Horgos District: From the Perspective of Fiscal and Taxation [J]. Review of Economic Research. 2018 (34).



natural geographical environment, economic development level and cultural customs, formulating new measures to optimize business environment under the new situation and gradually improving them in the process of trial and error and practice. Striving for the approval of the central government, using legislative means to implement the central objectives in local social governance, providing samples for central policy innovation and reducing the cost and risk of central legislation are conducive to coordinating national unity and local diversity as well as promoting the positive interaction between the central government and ethnic minority areas.

#### *B. Combining the Right of Preferential Privilege to Create Value Depression of Business in Ethnic Areas*

In order to develop and support the economic development of ethnic minorities and ethnic minority areas, the state adheres to the implementation of ethnic economic policies, directly assists them through financial subsidies from the central government, and formulates relevant preferential policies in accordance with the investment environment, production and operation conditions in ethnic minority areas, with a view to increasing the income of ethnic minorities and improving their living standards. In terms of infrastructure construction, the national economic policy requires relevant departments and local governments to implement high-quality projects, which are consistent with the business environment policies that attract private capital to participate in construction, improve the level of trade and investment facilitation, and promote the open development of ethnic autonomous areas, both in purpose and means. In the aspect of financial services, the national economic policy calls for greater investment in credit in ethnic areas, which comes down in one continuous line with the requirement of the "Notice on Focusing on Corporate Concerns to Further Promote the Implementation of the Business Environment Policy" issued by the State Council that calls for "encouraging banking financial institutions to increase credit support to private enterprises and the launching of micro-credit". It will also be of great benefit to enhancing the compatibility of policy objectives that combining ethnic economic policies with policies to optimize the business environment according to the development orientation and the capital needs of the ethnic regions, concretizing financial support policies and realizing procedural and standardized policies.

#### *C. Strengthening Supervision and Promoting the Level of Legalization of Business Environment Construction in Ethnic Minority Areas*

It states in the World Bank's Doing Business Report that a good business environment requires the government to provide clear and efficient regulatory rules to avoid unnecessary obstacles to the development of enterprises, rather than reducing supervision or not regulating. In the process of building the business environment in ethnic minority areas, it is necessary to strictly restrict the local government's rights to exercise in accordance with the law, reduce the direct allocation of resources by the government, improve the business environment system, establish a good supervision system and provide a fair competitive environment for market

participants. All autonomous regions have vigorously promoted the Negative List of Market Access (2018) formulated by the National Development and Reform Commission and the Ministry of Commerce, and implemented "either ban or entry". However, more attention should be paid to process supervision in practice. When implementing preferential policies, it is easy to encounter some new problems, such as the absence of machinery in the construction of factories or the failure to build factories due to the relaxation of restrictions on enterprise access, or the increase in the risk of false value-added tax invoices because of preferential tax policies. Therefore, it is necessary to establish a fair and orderly market environment through strict law enforcement, provide orderly behavior guidance for market participants, and avoid disorderly interference of improper law enforcement behavior in economic activities.

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