

Research on Chinese Business Environment and Upgrading of Market

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Abstract—As China economy has stepped in the New Normal, Chinese government has emphasized to improve the business environment, intending to attract foreign investment, which contributes a lot in China economic growth. Meanwhile, Chinese government also increases the efficiency of the government to serve for the upgrading of market. This article firstly reviews the plans to optimize the business environment and summarizes the concrete measures in streamlining the procedures, cutting the cost, saving time and increasing transparency. Further, this article figures out the appeal from enterprises by investigating. At last, this article promotes some suggestion to improve business environment.

Keywords—business environment; upgrading of market; economic growth

I. INTRODUCTION

Foreign companies have observed large opportunities in Chinese economic growth and the raising consumption rates, which drive them to regard China as a high priority for their global investments and their interest to invest further. Some foreign companies provide a commitment to their operations in China, creating structures that localize management and products to better meet the needs of the Chinese market. More and more FDI companies have invested in R&D centers in China, reflecting a confidence to supporting innovation.

Business environment represents a significant image of soft power, also sustains the competitiveness of economic growth in a certain country and a region. World Bank has published the Business environment report from 2003 to 2019, which estimates the national business environment by ten indicators, which are supposed to be the most widely used and authoritatively certificated.

This series of indicators include: Starting Business, Dealing with Construction Permits, Getting Electricity, Registering Property, Getting Credit, Resolving Insolvency, Enforcing Contracts, Trading across Borders, Paying Taxes, and Protecting Minority Investors. China ranks 46 in 2019, increasing 32 position compared to the last year [1]. To further implement the guiding principles of the 19th CPC National Congress and The Thought on Socialism with Chinese Characteristics for a New Era, Chinese government has formulated a set of targeted policies and measures for optimizing the business environment focusing on solving

problems, achieving goals and producing results, to build a stable, equitable, transparent and predictable business environment.

This article discusses some major policies and measures due to the improvement of business environment in section II and demonstrates the effects of measures in section III.

One type of articles is the report for government, another type of literature focuses on the concrete measures of business environment. Despite a wealth of interests in the government policies in business environment, there is little analysis in the relationship between business environment and upgrading of market. These years, improvement in business environment contributes a lot in the registering and upgrading of market. Fig.1. shows the development in business environment in these five years. Each indicator has been trending up in these 5 years, which shows the improvement of Chinese business environment.

II. MAJOR ACTIONS ABOUT BUSINESS ENVIRONMENT

This policy system targets the “pains, difficulties and obstacles” of the business environment. The policies which have mentioned before definitely work in business environment. All the effects of the policies can be concluded in four facets.

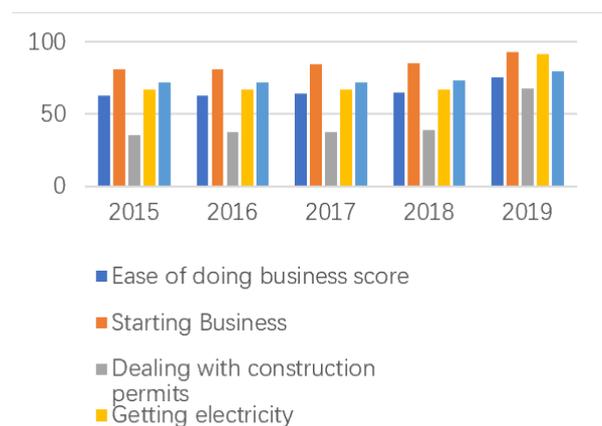


Fig. 1. First four indicators in Chinese business environment in 5 years.

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A. Streamlining Procedures

- Chinese government sets a series of service systems to save companies from running extra errands, help them get things done in an easier way with less trouble .
- In terms of power access, China shortens the procedure of power access approval from five steps to three [2]. The power supply company carefully sorted out the low-pressure project process links, implemented integration of line selection design and preliminary feasibility study for approval, integrated one responsibility with multiple tasks.
- In terms of tax payment, China optimizes the procedure for registering and opening accounts of public accumulation funds for housing, simplifying paper work from the originally required 6 application forms to just one.
- In terms of real estate registration, China promotes the “Internet plus real estate registration” reform, adopts a “one window service” measure, and integrates the former three departments handling trade, taxation and registration into one; and with internal circulation and joint approval, the steps will be reduced.

B. Saving Time

- Chinese government has simplified all formalities to shorten the starting time and approval time of the establishment of a company.
- In terms of starting a business, Chinese government promotes to set up district-level business creation administration halls, realizes “one window” service, and promotes the whole-process electronic business registration. Besides, online application registration which can be processed within the day is becoming real. Chinese government expands the scopes for name self-checking and preliminary checking, and the quickest name registration can be completed within 20 minutes. Business registration will be shortened from 8 work days to 1-3 work days. A quick pass package will be launched for first-timer applications of VAT invoice, and the invoice issuance time will be cut to only 1 day.
- In terms of construction permit, the procedure for private-invested construction projects has decreased to 45 workdays at most. In terms of city utility connection, China have shifted our focus from approval to supervision, from lineage connection to parallel connection, and thus promised to have the total administrative procedure completed within 40 work days.
- In terms of property registration, Chinese government actively establishes “Internet plus real estate registration”, and the process can be shortened to 1-5 work days.
- In terms of cross-border trade, Certificate of Origin can be issued within 2 hours, and applications for automatic import permit and export permit issued by the

commerce authorities of Beijing and Tianjin can be approved within one day[3]. Chinese government promotes to have the whole inspection and quarantine process completed online, cutting the processing time from 36 hours to two hours.

C. Cutting Cost

- Chinese government has substantially been streamlining administration, cutting tax and reducing charges, to further stimulate vitality of market entities [4].
- In terms of the establishment of company, Chinese government improves the automatic record-filing system for official seals manufactured, and provides free official seal making service for companies, which saves a cost of 300 yuan on average and presumably 60 million yuan for companies in total each year.
- In terms of cross-border trade, China has been removing and regulating on unreasonable charges at ports as reflected by companies strongly, investigating and punishing all charges violating the rules and the law, to ensure the legitimate interests of companies.
- In terms of power access, China has been implementing a “three zeros” special service campaign for small and micro-sized enterprises, that is “Zero Visit, Zero Approval, and Zero Investment. Newly installed and capacity-added low-voltage customers will all get a cost of the electricity.

D. Increasing Transparency

In line with the principle of openness, fairness and equity, China has made clear standards for handling administrative affairs and promoted open government information to subject ourselves to corporate and social supervision[5].

- In terms of open policy formulation, all policies and measures will be publicized on the official website of government and other official websites of related authorities. Procedures, fees, promised deadlines and regulatory policies concerning business climate optimization will be publicized on the above-mentioned official websites in both Chinese and English.
- In terms of power access, Chinese government has prepared qualified policy evidence, transformation case, and background data according to international norms.

III. MAJOR EFFECTS OF POLICIES AND UPGRADING OF MARKET

E. Effects of Streamlining Procedures

Procedure plays a decisive role in controlling the time, cost and transparency of the life cycle of a company. Streamlining the procedures means cutting down the cost and time for enterprises. The simplified procedures motivate the individual to register in, which increases the number of start-ups in the market and keep a positive competition between enterprises.

F. Effects of Saving Time

Time means efficiency. The policies due to saving the time promotes the efficiency of the operation. It can accelerate the registration and financial acquisition of a company. In some degree, the enterprises can make the most use of the time to activate the growth of enterprises. In that case, the total production of the market get boosted.

G. Effects of Cutting Cost

Every strategic decision of an enterprise is based on the expense and cost. The cost-cutting in every aspect, on the one hand, relieves the burden from companies, especially from start-ups. On the other hand, promotes the allocation of the funds in a company. As a result, much more funds can be used to upgrade the equipment and technology of a company. Furthermore, the cross-boarder trade is stimulated due to the cost reducing. The cost-cutting measures contribute to a comprehensive upgrading for both domestic and foreign companies[6].

H. Effects of Increasing Transparency

Increasing Transparency in business environment can be divided into two parts. One part is the government policy issue. The other is that company should public their information. This is a bi-directional flow of information. On the one hand, enterprises can access the policies at first time more easily. On the other hand, government can target the effective information to accelerate the approval. After all, through increasing transparency, the enterprises and the government will formulate a healthy relationship to inspire the develop of enterprises.

In conclusion, the major actions have mentioned in Section II have a huge impact on the development of the enterprises. The optimization in procedure, time, cost and transparency leads to a rapid development of enterprises. The concrete measures increase the numbers of start-ups, promote the positive competition in market to raise the total production. Also, the positive competition between enterprises stimulate the upgrading in technology, labor, production structure. Fig. 2. points out the relationship between business environment and newly-released enterprises. From Fig. 2, we can figure out that there is a positive relationship between business environment and the development of enterprises.

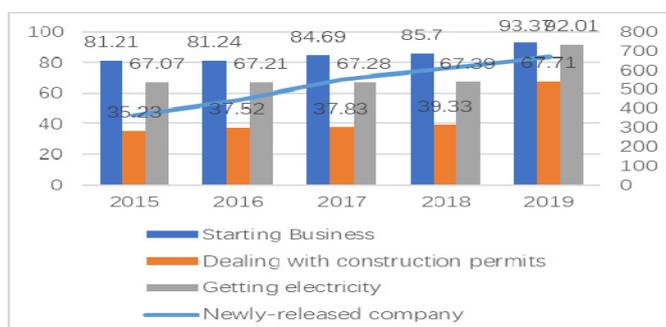


Fig. 2. Relationship between business environment and upgrading of market.

IV. EXISTING PROBLEMS IN BUSINESS ENVIRONMENT BLOCKING ENTERPRISES' DEVELOPMENT

As Section III has demonstrated positive correlation between business environment and upgrade of enterprises. However, there are still some obstacles related to business environment in the development of enterprises.

A. Intellectual Property Protection Problem

Lack of transparency leads to the problem in intellectual property problem. Enterprises, especially the foreign ones generally announce that there is still some room for improvement in intellectual property protection in China. For example, infringement of intellectual property rights still occurs from time to time. Besides, excessive protection of intellectual property rights in judicial decisions, and insufficient enforcement of intellectual property law are both waiting to be corrected [7]. According to the survey report of the Sino-US Chamber of Commerce, more than 90% of American enterprises think that innovation is very important, but they will be cautious when introducing foreign intellectual property rights into China. Insufficient protection of intellectual property rights is one of the main reasons that hinder innovation, which is the core competence of today's enterprises.

B. Unfair Competition in Individual Areas

Ignorance in procedures contributes to unfair competition. Because a series of complicated procedures increase the cost and time of entering the market for a company. As a result, enterprises seek other ways to acquire advantages. In recent years, China's reform and opening-up has steadily increased, which has provided a broad market space for foreign-funded enterprises. However, there are still restrictions on market access for foreign-funded enterprises in some areas, such as government procurement regulations and practices, which have deprived some foreign-funded enterprises of fair competition opportunities. It does not only break the positive competition, but also limit the healthy development in technology and upgrading of the equipment.

C. Remaining Problem about Lacking of Specificity in Policy Formulation

The stability of policies and regulations, the predictability of their implementation and changes, and the strength of market supervision will affect the operating costs of enterprises. Therefore, both Chinese-funded enterprises and foreign-funded enterprises are looking forward to a more transparent, fair, predictable and stable business environment. In recent years, China's policy and government environment has been continuously optimized, but foreign-funded enterprises still face some difficulties and problems, such as selective law enforcement and excessive law enforcement against foreign enterprises; the application of the law of industrial and commercial changes in foreign-funded reinvested enterprises affects the development of foreign enterprises in China; multiple approval of individual policies increases the uncertainty of enterprises' operation; individual environmental protection policies reward and punish the poor, and "whip" Hurry up the cattle

III. IMPROVING MEASURES IN BUSINESS ENVIRONMENT TO UPGRADE THE MARKET

According to the existing problems this article has discussed before, some improving measures should be taken to upgrade the enterprises.

A. Introduce the Estimation of IPR Protection System into the Business Environment

IPR protection system plays a significant part in innovation of enterprises, which is the core of upgrading a company these days. Government should reinforce the IPR protection system in business environment to stimulate the motivation of investment. A specific sector for registering the innovation result in business environment is needed for many foreign investors. Also, government should formulate the incentive system of enterprises' s intellectual property[8].

B. Reform of Tax Reduction and Tax Payment Facilitation

This measure is National policies on such issues shall be fully implemented. Provided that tax payers meet the requirements of relevant policies, they will enjoy the benefits instantly and fully. The reform also aims to make tax filing for enterprises simplified and more convenient with inspection systems built as well. Also, the reform of the tax should focus more on foreign enterprises. The tax policy for foreign investors can smash some obstacles in cost to participate in the fair competition.

C. Efficiency Increase of Land Acquisition by Enterprises and Public Facility Supply

Such measures include strengthening the guidance of land source supply, integrating various kinds of standards into the proposed land tender evaluation indicators, and establishing a comprehensive land tender evaluation mechanism. Such facilities shall be optimized or installed concerning electricity, water, gas, optical network and 5G mobile network. Government will provide more convenient services for low-voltage SMEs, and bear the cost of power expansion of external wires.

IV. CONCLUSION

This paper discusses the present situation of business environment in China and points out the positive correlation between business environment and the upgrading of enterprises. The data objectively supports this relationship. To further improve the development of enterprises, this article also figures out some existing problems and promotes the targeted measures to solve them[9].

Business environment is the soft power of a country. Improving the development in business environment has a positive effect on the attraction of foreign investment, development and innovation of enterprises, also in the economic growth in China.

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