

Comparative Analysis of Business Environment in Major Cities of China

Based on a Comparative Study of Cross-border Trade Services of the Customs*

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Abstract—Business environment is the basis and guarantee for the rapid and sound development of regional economy. Creating a good business environment and promoting the development of cross-border customs trade will be conducive to enhancing the comprehensive competitiveness of the city and expanding its international influence. Therefore, this thesis makes a comparative analysis of the cross-border customs trade services in major cities, finds out the differences in cross-border trade between different cities through the comparative analysis of the cross-border customs trade indexes in major cities, and tries to find out the most valuable experience of the major cities and promote it, so as to put forward constructive opinions on the optimization of business environment in our country.

Keywords—business environment; cross-border trade; regional differences

I. INTRODUCTION

Cross-border trade can be understood in both broad and narrow sense. Cross-border trade in a narrow sense is the exchange of goods and services between countries. It is foreign trade for the countries involved in trade. The broad cross-border trade further covers the whole process of corresponding cross-border import and export arrangements, cross-border trade patterns and cross-border settlement related to the above-mentioned cross-border trade behavior¹.

Business environment refers to the sum of various conditions, needs and surrounding environment that accompany the company in the whole process of business activities from registration, establishment, and operation to termination. It covers laws and regulations, economic policies, political culture and natural and social environment that affect business investment and operation. Since 2003, the World Bank has began to issue business environment indexes around the world, aiming at investigating the operation status of domestic SMEs, evaluating the applicable laws and regulations in the life cycle of enterprises, and promoting the development of commercial law and system reform in commercial affairs in

various countries through the synthesis of indexes. After fourteen years of accumulation, the World Bank has formed a relatively perfect index system, which includes 10 aspects: starting enterprises, obtaining construction permits, power construction, property registration, obtaining bank credit, investor protection, taxation, cross-border trade, contract execution and bankruptcy protection.

Not long ago, the World Bank released The Business Environment Report in 2018: Reform and Create Employment, comparing the overall performance of 190 economies in business facilitation with 10 indexes. In 2018, Mainland China ranked 78th in business convenience, and same as last year. But it is still lower than developing economies such as Azerbaijani, Jamaica and Mongolia. Analyzing these 10 specific indexes, we can find that China ranks the fifth in the world in terms of contract execution, and is in the lead. But, our cross-border trade ranks the 97th in the world, at the middle-lower level. Construction permit index ranked 172ed, last but eighteen in the world. But it has a significant improvement over last year. Compared with other indexes of last year, we have improved in four indexes, property registration, starting enterprises, protection of minority investors and tax payment. We have declined in six aspects including bankruptcy protection, obtaining credit, power construction, obtaining construction permits, cross-border trade and contract execution.

It can be seen that although the ranking of business convenience in mainland China has risen in general, the ranking of many indexes is not very good. Even the index of cross-border trade has even declined. A good business environment can promote the development of cross-border trade and activate market behavior, thus driving the development of market economy. Therefore, it is necessary to study the development process and improvement path of business environment and cross-border customs trade in China's cities under the new situation of building a rule-of-law and international business environment in the perspective of business environment, combined with the deepening reform of the cross-border customs trade proposed by our government.

*This thesis is one of the phased achievements of Guangdong Provincial Development and Reform Commission's Price Supervision and Inspection and Antimonopoly Bureau (Provincial Joint Demonstration Base) (82618522)..

¹ The definition comes from Baidu Encyclopedia.

II. COMPARISON OF MAJOR CITIES

The government still attaches great importance to cross-border trade in China. Just in this year, the General Administration of Customs, together with the relevant departments of port administration, promulgated *Measures to Promote the Level of Cross-border Trade Facilitation in China (Trial Implementation)*, putting forward 18 measures to further optimize the business environment at the port and enhance the level of cross-border trade facilitation. The measures are aimed at further reducing the time and cost of import and export links

by optimizing customs clearance procedures, simplifying documentation procedures, reducing port charges, and establishing and improving management mechanisms. Therefore, in order to better study the cross-border trade services of the Customs in major cities in China, according to the content of cross-border trade convenience in the evaluation index system of business environment in China, the author selected four indexes, and according to these indexes, and made a comparative analysis about 33 cities, as shown in "Table I".

TABLE I. TOTAL INDICES OF CROSS-BORDER TRADE CONVENIENCE OF THE CUSTOMS IN MAJOR CITIES

City	Total Value of Import and Export Trade Handled by the Customs (2017/ A Hundred Million Yuan)	Clearance Time for Imports	Clearance Time for Exports	Whether Realize the E-Clearance or Not (Paperless Clearance)
Beijing	21900	11.44	0.48	√
Shanghai	32237.82	18.77	1.32	√
Guangzhou	9714.362	7.72	0.45	√
Shenzhen	28000	Unknown	Unknown	√
Tianjin	12700	15.6	0.9	√
Fuzhou	2336	12.7	0.28	√
Xiamen	5816	5.82	0.37	√
Shenyang	427.72	14.12	0.74	√
Zhengzhou	3755	4.91	0.39	√
Luoyang	133	22.4	1.5	√
Wuhan	1936.2	16.9	1.2	√
Yichang	184.2	Unknown	Unknown	√
Zhoushan	783.0	Unknown	Unknown	√
Chongqing	4508.3	5.72	0.44	√
Chengdu	3941.8	7	0.6	√
Xi'an	2545.41	3	1.5	√
Lanzhou	125.11	3.9	2.2	√
Qingdao	5024.2	16.15	0.55	√
Changsha	938	8.62	1.04	√
Nanjing	607	Unknown	Unknown	√
Kunming	465.46	3.05	0.12	√
Harbin	820.2	3.6	0.1	√
Changchun	952.5	14.66	2.64	√
Nanchang	669.197	1.67	0.08	√
Baoding	47.8	Unknown	Unknown	√
Shijiazhuang	797.3	29.8	1.2	√
Taiyuan	915.25	Unknown	Unknown	√
Jinan	765.5	12.4	0.4	√
Hefei	1573.54	15.13	1.5	√
Haikou	210.22	13.75	0.45	√
Guiyang	205.414	12.66	0.58	√
Hangzhou	5085.08	Unknown	0.15	√
Nanning	607	14.86	0.98	√

III. ANALYSIS AND EVALUATION OF SPECIFIC INDEXES

Nowadays, China, with its rapid development, has become a big trading country in the world, but it is not yet a powerful trading country. We are now moving towards a powerful trading country. Although China has a unified macro-environment, political system and legal structure, different provinces have different local laws and regulations on cross-border trade. The central government will also give special policies and institutional preferences to certain regions in a specific period of time, and the implementation of laws and regulations are also different in different regions. So, it is difficult for the government to guarantee the cross-border trade

facilitation wholly and thus promote the development of cross-border trade in all parts of the country. In addition, the geographical location, resource reserve and different economic development history of provinces and cities, and the local protection and market segmentation brought about by fiscal and taxation competition among local governments, as well as China's gradient-driven reform and opening-up and other national policies will lead to different development paths of cross-border customs trade among provinces and cities. All of these will lead to different differences in different cities.

Therefore, the author selected four representative indexes to specifically analyze the differences in the development of

cross-border trade in China's cities.

A. *The Volume of Import and Export Trade/GDP Handled by the Customs of Each City*

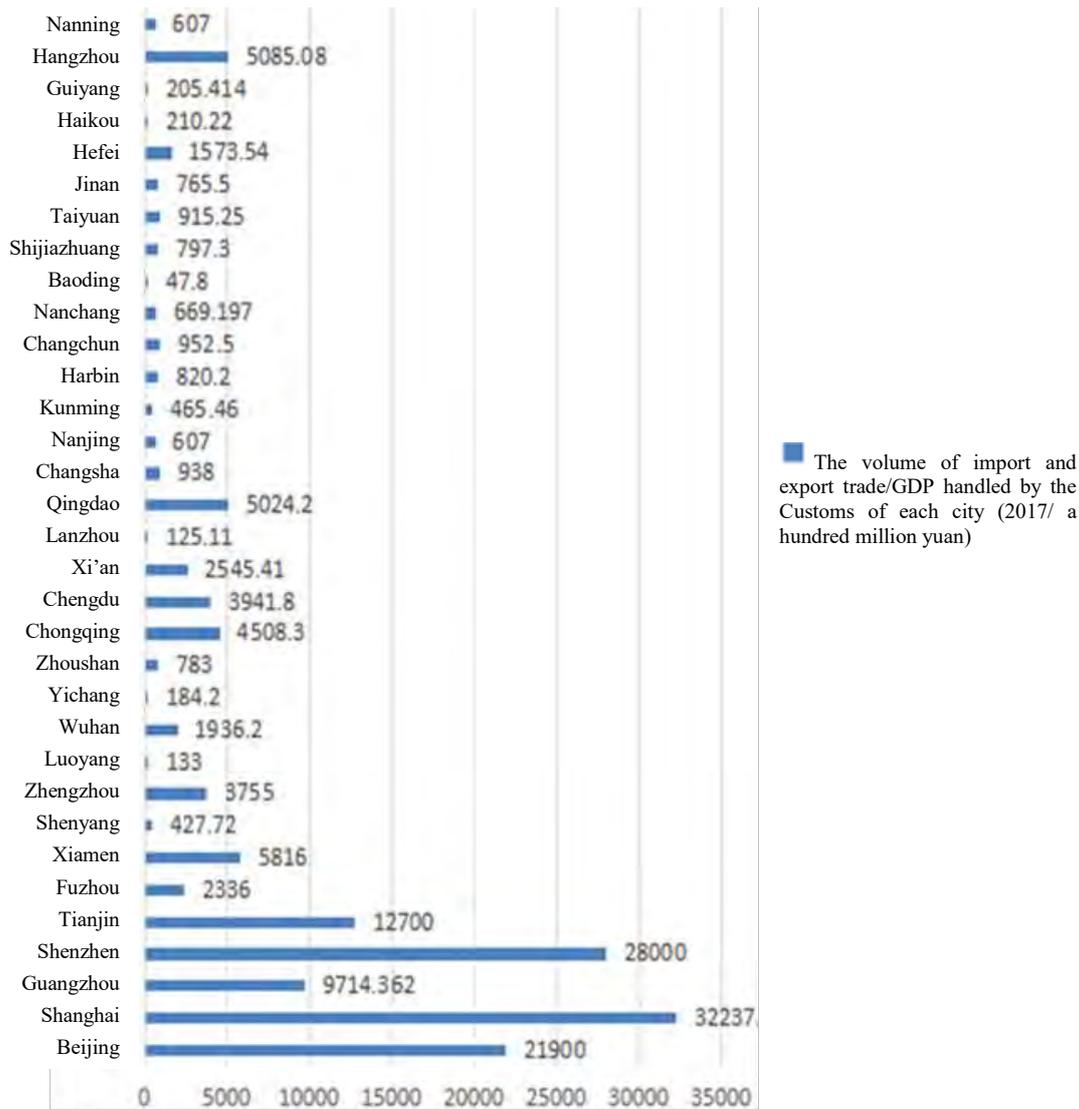


Fig. 1. The volume of import and export trade/GDP handled by the Customs of each city.

Through these intuitive indexes shown in "Fig. 1", we can see which city has the fastest development of cross-border trade. According to the data, the import and export trade volume of major cities has increased year-on-year compared with last year. But there were still obvious regional differences. The volume indexes of import and export trade in the eastern region were obviously higher than those in the central and western regions, and the gap is gradually widening. The gap between the central and western regions is relatively stable. Among the big cities, Shanghai has the most outstanding achievements. The volume of import and export trade ranks first in all cities, followed by Beijing, ranked third, fourth and fifth in Shenzhen, Tianjin and Guangzhou respectively.

Why could Shanghai achieve such a performance? In addition to being the largest financial center and economic center in China, Shanghai has unique geographical advantages and enjoys the best preferential policies of the country. It is also related to the positive response of Shanghai Customs to government initiatives and efforts to improve the convenience of cross-border trade in Shanghai. It is understood that in 2017, Shanghai Customs and Shanghai Port Group invited transnational consulting bodies to form a joint working team. Referring to the relevant cross-border trade indexes reported by the World Bank, through scientific methods such as sampling survey and large data analysis, they has made a panoramic scanning on the time nodes in the whole process of clearance of the Customs and list of financial apportion. On March 20,

Shanghai Port Office and Shanghai Development and Reform Commission issued Several Measures for Optimizing the Business Environment of Cross-border Trade at Shanghai Port (hereinafter referred to as "Several Measures") after comparison and sorting. So far, the measures to improve the four time indexes related to border and documentary compliance have been put into effect, and the composition of the four cost indexes is more open and transparent. With the help of these measures, the arrival time and lift-off time of import containers at Shanghai Port have been compressed from 72 hours to 48 hours, and the acquisition of import documents, such as import licenses for automobile parts, has been compressed from 54 hours to 24 hours. The acquisition of export certificates of origin has been reduced from 14 hours to 7 hours. The optimization of business environment reduces cross-border trade cost and time, and thus leading to the upgrading of cross-border trade data at Shanghai Port.

Beijing and Tianjin ranked second and fourth, profiting from the timely cross-border trade initiatives of the two customs authorities. In order to further optimize the business

environment and ensure that industry enterprises can enjoy more policy dividends, on March 18, 2018, the Beijing Municipal Commerce Commission (Port Office), together with the relevant departments of Beijing and Tianjin Customs, State Inspection and Ports, formulated Announcement of Several Measures to Further Optimize the Business Environment and Enhance Cross-border Trade Facilitation in Beijing and Tianjin (Joint Announcement No. 1, 2018), which focuses on cost reduction, efficiency improvement, convenience and transparency, and has introduced 17 specific measures. The effect of these positive measures is also obvious. According to the data, from January to October 2017, the proportion of import and export of services in total foreign trade reached 31%, which was 16.3 percentage points higher than the national average. The growth of import and export of goods exceeded expectations. From January to November 2017, the import and export volume was 1.98 trillion yuan, with an increase of 18.5%. Among them, the export volume was 352.8 billion yuan, with an increase of 15.8%. The growth rate was higher than the national level.

B. Clearance Time for Imports and Exports of Each City

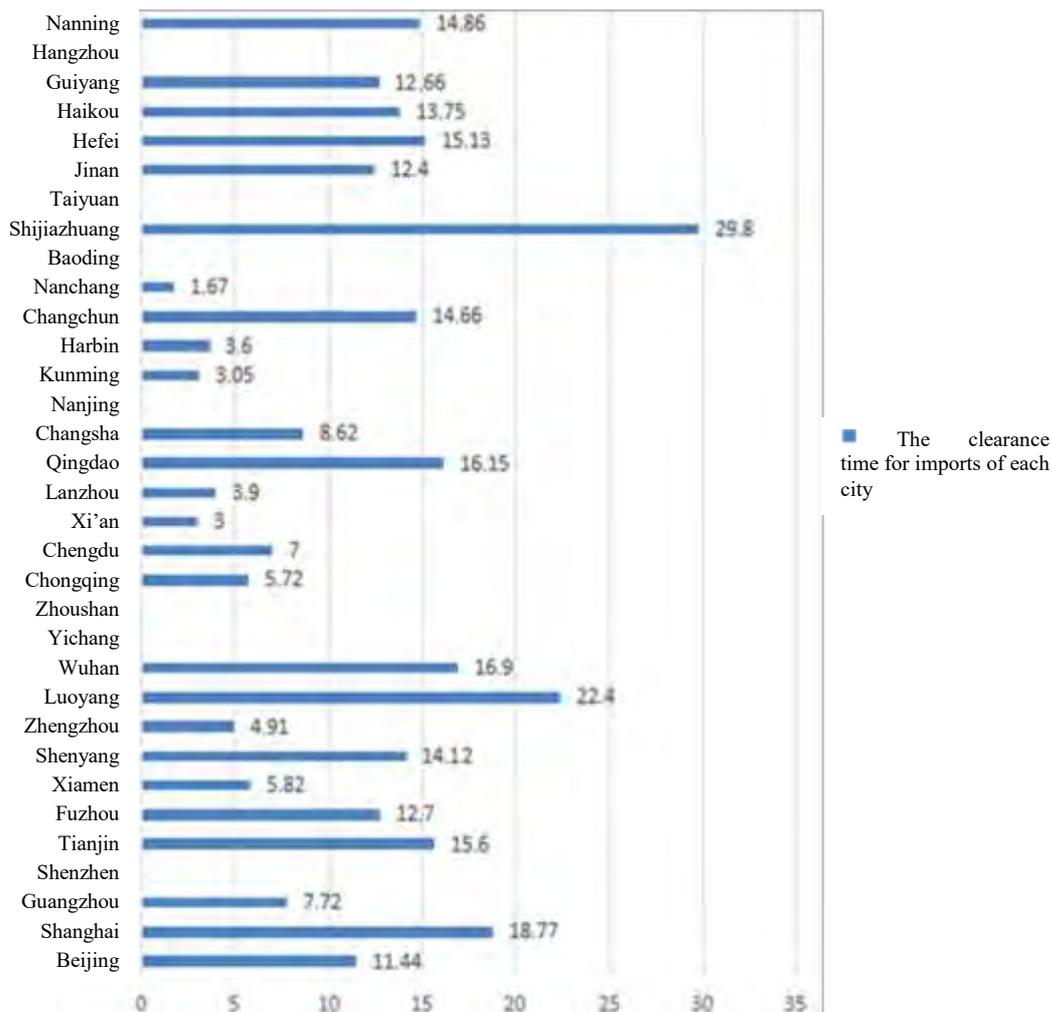


Fig. 2. Clearance time for imports of each city.

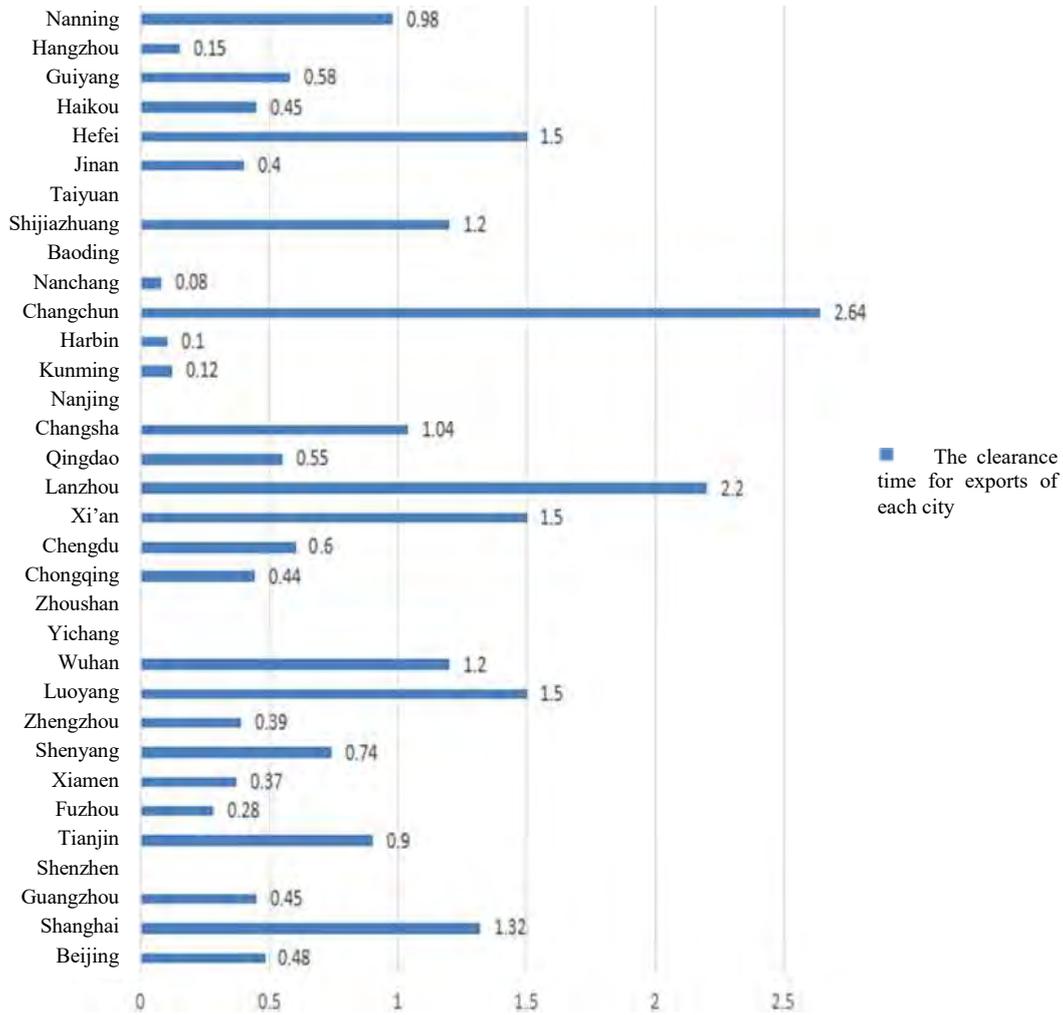


Fig. 3. Clearance time for exports of each city.

We all know that the speed of customs clearance determines the competitiveness of a country's supply chain. But for a long time, many enterprises have mistaken the speed of customs clearance as the speed of releasing cargos of the Customs. In fact, the complicated clearance system involves frontier inspection ports, commodity inspection, docks, shipping agents, freight forwarders, Customs and so on. In most of the time, the Customs is unjustly blamed to speed up the clearance time. The improper connection between departments and departments may delay the shipment time of consignees and cosigners, interrupt the supply and delivery of goods, cause huge losses, and increase the cost of logistics supply chain of import and export enterprises. The clearance time and speed are closely linked. The shorter the clearance time, the faster the speed, and the more convenient the cross-border trade. Therefore, according to this index, the author collected the clearance time of 31 cities. It is a pity that lack of some data of certain cities leads to unknown clearance time of these cities. From the collected urban data, we find that the import clearance time of Nanchang is the shortest, 1.67, followed by Xi'an, 3, followed by Kunming, 3.05 (see "Fig. 2").

However, the customs clearance time of Shanghai, Beijing and Tianjin, with the largest volume of import and export trade,

is 18.77, 11.44 and 15.6 respectively, and the customs clearance times are longer. The top three export customs clearance times are Nanchang, Harbin and Kunming (see "Fig. 3"). The customs clearance time of these three cities is relatively short. When we consider their import and export trade volume, we can infer that the import and export clearance time of Nanchang, Harbin and Kunming is relatively short because of their relatively small import and export trade volume. Fortunately, both import and export customs clearance, the clearance time of each city has dropped a lot compared with last year, which shows that all regions are implementing policy documents and striving to promote the development of cross-border trade.

But this is far from enough. It is still difficult for China to develop cross-border trade. Cross-border trade indexes are calculated on assumption of importing and exporting goods of different types assuming a value of \$50,000, recording the time and cost involved in import and export procedures (excluding tariffs) by including three sets of procedures: documentary compliance, border compliance and domestic transport. China ranked the 96th on this index. According to the report, the average time required for China to import goods is 158 hours, which costs US\$947.5; for export goods, it takes 47.1 hours

and costs US\$607. In contrast, the average time spent on imports in the United States is 10.6 hours, which costs \$175; the average time spent on exports is 44 hours, which costs \$93.12. In Denmark, which ranks first in the single category, import and export take an average of only one hour without any cost. Therefore, Chinese enterprises still face complicated procedures and higher costs in developing cross-border trade.

C. Whether Realizing E-clearance or Not

From the data collected, this index is the best. Almost all cities have achieved electronic clearance. In this index, we should pay attention to the concept of paperless clearance, which means that the Customs, on the basis of enterprise classification management and risk analysis, classifies import and export goods according to risk level, and uses information technology to change the process of clearance by submitting paper declaration forms and accompanying documents to import and export enterprises, and directly carry out paperless the clearance operation mode of paperless examination, verification and release of goods by online electronic data of declaration forms and accompanying documents of enterprises.

Most cities have done a good job in paperless operation. For example, Guangzhou Field Business Office through the system of "paperless import and export goods consignee and consigner registration" has handled a total of 850 businesses, accounting for 82% of the business management business in the same period. Lanzhou has successfully applied for paperless first-ticket guarantee operation on January 29, 2018. From January 19, 2018, the printing reform of Customs Dedicated Payment Letter is started in Shanghai and Nanjing Customs. After the reform, the first Customs Dedicated Payment Letter was printed by DaiAo Electronic Control (Nanjing) Co., Ltd. in Jinling Customs Area. It marks the realization of paperless clearance and the whole process of online processing. By improving the level of science and technology and informatization of the clearance process, the paperless clearance reform not only speeds up the clearance process of import and export enterprises, but also reduces the cost of customs clearance, and greatly improves the efficiency of customs supervision.

IV. SUGGESTION AND CONCLUSION

China's business environment ranking has been poor in the world business environment report. According to the latest evaluation report, China's business environment ranked 78th in 2018, which is the same as the ranking in 2017. It can be seen that China's ranking has not improved significantly over the years. Although China has made remarkable achievements in economic development, it has not performed well in trade facilitation. According to the report of 2018, China's trade facilitation ranked 97th. It seriously falls behind. Some government departments seem to be still unaware and ignorant, or do not pay attention to this issue at all. Therefore, we should comprehensively review the relevant systems and norms, especially the implementation effect of policies and systems, and comprehensively improve the level of trade facilitation in China.

How can we optimize China's current business environment, so that China's business environment in the next few years in the world ranking can be improved, but also better promote the development of cross-border trade? The author puts forward some suggestions in the following.

Firstly, we can construct key leading cities to promote the development of other cities. According to the data analysis, the development of cross-border trade in some cities has come to the forefront of the whole country and accumulated rich experience in the development of cross-border trade. Some cities have done quite well in terms of the trend of trade development and the control and implementation of national policies. Therefore, we can focus on building such pioneer cities, giving priority to improving and developing their business environment and enhancing their cross-border trade. We can use these cities' advanced experience to promote the development of cross-border trade in other cities, so as to avoid detours of relatively backward cities in the development of other cross-border trade. For example, we can take Beijing and Shanghai as the pioneers of business environment reform. First of all, the two cities have much room for improvement in cross-border trade. From the foregoing, we can see that both Beijing and Shanghai are cities that respond positively to the policies and measures, and both of them are the cities with the top two import and export trade volumes. Giving priority to the development of cross-border trade in Beijing and Shanghai can drive the development of other cities, and the successful implementation of experience in Beijing and Shanghai can also serve as a reference for other cities. Second, the two cities have a high level of economic development, a strong sense of reform and opening up, a large number of outstanding talents, high quality administrative personnel, and good conditions for reform. Third, the high degree of opening-up of Beijing and Shanghai is conducive to improving the index of cross-border trade, and the promotion of the ranking of these two cities can also have a positive effect on the international development of the whole country. Such a way is very similar to China's economic policy of "the Rich First Pushing Those Being Rich Later and Finally Achieving Common Prosperity". It has certain reasonability. We can also promote the development of other cities in this way.

Secondly, we can establish a regional business environment assessment system suitable for China's national conditions. Since the World Bank issued the business environment report around the world in 2003, China has made great efforts to improve the business environment in order to optimize the business environment and improve the ranking of China. Some regions also learnt from the evaluation methods of the World Bank. But in practice, it is found that some methods are not applicable to the region and do not work very well. In addition, the World Bank's report based on its own indexes is not omnipotent, and its index system ignores the consideration of differences within different economies. In China, there are many special situations and focus problems in the business environment. There are great differences in the development conditions and environment between regions. Therefore, the author suggests that relevant departments can establish a business environment evaluation system suitable for the characteristics of China's national conditions, which can

provide decision-making reference for improving the business environment in various regions. Fortunately, some organizations have made efforts to establish a regional business environment assessment system in China. For example, the Research Institute of Guangdong-Hongkong-Macao Dawan District released The Business Environment Report of Chinese Cities in 2017 on November 9, 2017. The China Urban Business Environment Task Force of the Research Institute of Guangdong-Hongkong-Macao Dawan District selected data of a total of 35 cities, including municipalities, vice-provincial cities and provincial cities (due to lack of relevant data, Lhasa, Tibet was not involved in ranking) according to six categories of indexes, including soft environment (weight 25%), market environment (weight 20%) and business cost environment (weight 15%), infrastructure environment (15%), ecological environment (15%) and social service environment (10%), and calculated the indexes of business environment of each city in 2017. It is a pity that the report didn't take cross-border trade as an index and analyze it. However, it is worth affirming that the practice of drawing lessons from the practical experience of the World Bank to develop China's regional business environment assessment system is helpful to sum up the development experience of advanced regions, to help backward regions identify problems, and to improve the pertinence and effectiveness of policies².

Last, we can conform to international rules and create a mutually beneficial and win-win cross-border trading environment. China should learn more from the excellent experience of foreign countries, learn from the top countries in the business environment report, learn from the favorable measures they have implemented in cross-border trade, and communicate with countries with better development of cross-border trade. We should optimize the allocation of port resources, improve the port supporting facilities, reform the customs supervision, inspection and quarantine management system, simplify the entry and exit procedures, improve the efficiency of clearance, and promote the efficient allocation of resources.

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