

Easier Business

Efforts to improve China's business environment see higher ranking in World Bank report By Wang Jun

When he spoke at the "Understanding China" conference in the southern city of Guangzhou, Guangdong Province, in October, Zeng Qinghong, Chair of Guangzhou Automobile Group, a Chinese automobile maker headquartered there, sounded upbeat.

"We have reached a deal with Toyota, which will invest 15 billion yuan [\$2.13 billion] in two new factories in Guangzhou," he said, talking of the Japanese multinational's latest agreement with his company. Zeng attributed it to the sound business environment in China. "It's the recognition of China's improvements that makes foreign companies feel confident to increase investment," he remarked.

Shortly before the event, the World Bank released its Doing Business 2020 study, which gave China a leg up. The report graded China No. 31 globally out of 190 countries and regions in its ease of doing business index, with a score of 77.9 out of 100. For the second year in a row, China joined the ranks of the world's top 10 most improved economies for ease of doing business.

An engine for growth

"Efforts to optimize the business environment will help bolster institutional reform, encourage fair competition, and stimulate the vigor of the economy and market motivation, thereby boosting high-quality development," economist Fan Hengshan said at the Guangzhou conference.

Martin Raiser, World Bank Country Director for China, acknowledged that China has undertaken substantial efforts to improve the domestic business climate for small and medium-sized enterprises, maintaining an active pace of reforms. In a World Bank press release on Oct. 24 accompanying the study, he said, "Laudable progress has been achieved on a number of Doing Business indicators, particularly in the area of construction permitting."

According to the World Bank report, it now takes 111 days to go through the procedures to obtain permission for construction in China, against an average 132 days in the East Asia and Pacific region. The Chinese economy received a perfect score of 15 points in the quality index of the indicator, compared to the average 9.4 points given to the region.

China has also simplified requirements to obtain permits for low-risk construction projects and reduced the time taken to get water and drainage connections.

It now ranks 12th globally in getting an electricity connection, which is significantly better than the rest of the region. Chinese businesses need to complete just two procedures and spend 32 days to obtain a connection, half the average of 4.2 procedures and 63 days in the East Asia and Pacific region, the report says.



A German engineer tests equipment at IMS Gear (Taicang) Co. Ltd. in Taicang, in east China's Jiangsu Province, on Oct. 31.

Better judicial rule

China has also improved the quality of judicial administration and scored 17 out of 18 on this index, the highest in the world. A local entrepreneur spends on average 496 days and 16.2 percent of the claim value to resolve a commercial dispute, much faster and less expensive than the regional average.

"The government must bear in mind that the essential part of the business environment is a transparent, steady and predictable legal environment," said Long Yongtu, former Vice Minister of Commerce. According to him, what overseas and domestic private businesses are most concerned about is not preferential treatment, but uncertainties in the investment environment.

"Judicial governance is an important part of the business environment, and judicial authorities at all levels have made significant contributions to the rapid increase of China's global ranking in the ease of doing business index," Xiao Jianguo, a professor at the Law School of Renmin University of China, said. "Especially, the Supreme People's Court (China's highest judicial organ) has issued judicial interpretations and guidelines to improve the enforcement of contracts."

The World Bank report uses the contract enforcement indicator to measure a country's efficiency to solve commercial disputes. Here China scored 80.9 compared with 79 in the previous year, ranking fifth in the world. Under this indicator, the quality of the judicial process index measures whether each economy has adopted a series of good practices in its court system in the four areas of court structure and proceedings, case management,



Visitors watch a short music video in the 360-degree immersive soundscape zone of U.S. company Sound United at the Second China International Import Expo in Shanghai on Nov. 6.

court automation and alternative dispute resolution. Here China scored 16.5 out of 18, compared with 8.1 given to the East Asia and Pacific region.

To improve the business environment, the State Council, China's cabinet, issued a regulation on improving the country's business environment on Oct. 23. The regulation, which comprises 72 articles on the protection of market players, the market environment, government services, supervision and law enforcement as well as legal guarantee, will be effective as of Jan. 1, 2020.

"As the first comprehensive administrative regulation in China in this regard, it covers almost every aspect of improving the business environment," Ning Jizhe, Vice Minister of the National Development and Reform Commission, said at a policy briefing.

"The regulation highlights fair competition, stressing that all types of market players have equal access to production factors and are equally protected by law. This is the essence of the entire business environment," Chang Xiuze, an economist with the Chinese Academy of Macroeconomic Research, said.

The Fourth Plenary Session of the 19th Communist Party of China Central Committee, held in late October with a focus on advancing the modernization of China's system and capacity for governance, reaffirmed the goal of building new institutions for a higher-standard open economy.

Room for improvement

However, despite the laurels, there are some challenges as well.

"While there has been substantial progress, China still lags in areas such as paying taxes (105th in ranking), getting credit (80th), and trading across borders (56th). It takes 21 hours and costs \$256 when exporting to comply with border requirements, longer and more expensive than among Organisation for Economic Co-operation and Development high-income economies," the World Bank study said. "And a Chinese company must spend an average of 138 hours per year complying with fiscal requirements, compared to 64 hours in Singapore."

According to a report by *21st Century Business Herald*, a business newspaper in

Guangzhou, since the World Bank study collected figures on paying taxes from Jan. 1 to Dec. 31, 2018, China's 2-trillion-yuan (\$284 billion) tax cut carried out this year was not included in the assessment of this indicator. This means that China's performance for paying taxes will be better in the 2021 report.

"There are still many things to improve in the business environment, such as simplifying the visa procedures for foreign professionals, further cutting the negative list of sectors off-limits to foreign investors, and reducing tariffs and subsidies," Wang Huiyao, founder and President of the Center for China and Globalization, a Beijing-based think tank, said.

"Even for developed economies, attracting foreign investment is very important. We must make our business environment more attractive to overseas capital, professionals and technologies," Wang said. ■



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