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Practical Insights and Optimization Paths for China's Business Environment

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Abstract: Under the dual dimensions of escalating global competition over business environments and China's transition toward institutional opening-up, this study seeks to transcend the binary paradigm of traditional institutionalism and technological determinism. It constructs a "Institution-Technology-Ecology" three-dimensional collaborative framework to systematically deconstruct the evolutionary logic of China's business environment. Based on the dynamic adjustment of the negative list for market access and the implementation of cross-departmental government data platforms, the research finds that institutional innovation not only defines the legal boundaries for technological empowerment but also provides legitimacy for technological governance through the reshaping of rules. Concurrently, technological means reconstruct public governance logic via data-driven approaches, significantly enhancing the granularity and precision of institutional execution. This deep mutual configuration of institution and technology has given rise to a business ecosystem characterized by multi-party synergy; for instance, Zhejiang's "Zheli Jian" platform has achieved a substantial increase in the rate of independent hazard reporting through process re-engineering. However, structural fractures remain at the operational level of this three-dimensional synergy: legislative lag in data ownership restricts the deep training of technological models, while administrative bureaucratic inertia tends to induce derivative risks of "digital formalism." Coupled with the surge in compliance costs caused by conflicts with international rules, these factors constitute current governance barriers. This study posits that institutional gaps must be filled through legislation on layered data rights, and lightweight technological tools adapted to the capabilities of small and medium-sized enterprises (SMEs) must be developed. A more profound breakthrough lies in refining local practices into international rule modules with universal significance through "syntactic translation."

Keywords: Institution-Technology-Ecology Synergy; Institutional Innovation; Technological Empowerment; Business Environment Optimization.

1. Introduction

The business environment constitutes a "comprehensive ecosystem" encountered by enterprises during entrepreneurial and operational activities. As a critical dimension of regional institutional supply, it serves as the cornerstone for driving high-quality economic development(Tran et al., 2025). It not only influences the decision-making and behaviors of various market entities but also underscores the necessity for a comprehensive and systematic evaluation of urban business environments. Amidst the unprecedented global changes of the century, characterized by the intertwining of global value chain restructuring and the technological revolution, the business environment has emerged as a pivotal dimension of national core competitiveness. The "Business Ready" (B-Ready) evaluation framework, released by the World Bank in October 2024, has replaced the traditional "Doing Business" (DB) system with a three-dimensional framework encompassing "Regulatory Framework—Public Services—Operational Efficiency." This new system expands the scope of assessment from 11 to 18 areas, placing greater emphasis on policy implementation effectiveness and the actual experience of enterprises. In the 2025 World Bank Enterprise Survey, China demonstrated remarkable performance: Shanghai achieved global excellence in 22 assessment points, significantly surpassing Singapore's 10 points, and leading globally in efficiency indicators such as electronic payments and obtaining electricity. Behind this breakthrough lies China's systematic reform aimed at aligning with high-standard international rules(Guo et al., 2024). For instance, the Hainan Free Trade Port has implemented pilot programs for cross-border data flows through "institutional integrated innovation," while Xiamen's digital port platform has reduced logistics costs by 28%. These practices have not only bolstered China's competitiveness in global rankings but have also reshaped international governance discourse through the export of regulatory standards.

However, the depth and breadth of global competition are intensifying. The new evaluation dimensions of the B-Ready system, such as "Green Transition" and "Digital Services," require nations to establish regulatory frameworks in fields like carbon neutrality and data governance. While the European Union constructs an ethics-first regulatory system via the Artificial Intelligence Act, and the United States promotes technological standard monopolies through the "Declaration for the Future of the Internet" (and similar tech alliances), developing countries face the dual pressure of technological catch-up and regulatory adaptation. In this context, China must utilize institutional innovation and digital empowerment as dual engines to seize the initiative in the restructuring of global rules(Chen et al., 2024).

China's business environment reform has transitioned from early isolated breakthroughs to systematic integration. The Report on the Development of China's Business Environment (2025) indicates that in 2024, the negative list for market access was reduced to 117 items, while the negative list for foreign investment access was narrowed to 29 items, achieving full opening-up in the manufacturing sector. This process centers on institutional opening-up: the Hainan Free Trade Port has facilitated market entry through the

"commitment-based entry system"; the Shaanxi Pilot Free Trade Zone has innovated the "bonded + financial leasing" model to reduce cross-border financing costs; and Zhejiang's "At Most One Visit" reform has propelled government services from "physical centralization" to "data integration."

The essence of institutional opening-up lies in the alignment of rules and the output of standards. China has formally applied to join the Digital Economy Partnership Agreement (DEPA), aligning with international rules in areas such as cross-border data flows and non-discrimination of digital products. Simultaneously, domestic reforms exhibit three core characteristics。Marketization: Releasing the vitality of new factors such as data and technology through the market-based allocation of factors. For example, Zhejiang's "Zheli Ban" platform opened over 100,000 public data directories, contributing to a 1.2 percentage point decrease in financing costs for SMEs. Rule of Law: Following the implementation of the Regulation on Optimizing the Business Environment, the national "non-penalty for first-time minor offenses" list covered 3,952 items. Heilongjiang's four-level government contract compliance monitoring platform has prevented over a thousand instances of breach of contract. Internationalization: The Hainan Free Trade Port established an international commercial arbitration mechanism, increasing the efficiency of cross-border dispute resolution by 30%. Shanghai courts' "digital execution" system has addressed the difficulties of locating persons and property in foreign-related cases, with an execution fulfillment rate exceeding 38%.

Despite significant achievements, China's business environment still faces deep-seated contradictions. First is the gap in policy implementation, where "excessive penalties for minor offenses" remain prominent in grassroots law enforcement. For instance, a manufacturing enterprise was heavily fined for failing to update an environmental impact assessment filing, while similar issues in other regions might qualify for "non-penalty for first-time offenses." This "campaign-style enforcement" reflects inconsistent regulatory standards and fragmented policy execution. Second are data barriers, where insufficient openness of public data restricts digital empowerment. Although provinces like Zhejiang and Guangdong have established data hubs, "information silos" persist in cross-departmental data sharing. For example, registering real estate still requires repetitive submissions of business licenses and identity documents, whereas Shanghai achieved an 80% reduction in steps through "seamless processing" via legal person database sharing. Unclear data ownership and blurred security boundaries limit the application of technologies like AI risk warnings and blockchain evidence storage. Third is the insufficient adaptation to international rules. In areas such as cross-border data flows and intellectual property protection, discrepancies remain between Chinese regulations and international standards. For example, while the EU's General Data Protection Regulation (GDPR) mandates data protection standards, Chinese companies going abroad must simultaneously satisfy domestic Data Security Laws and host-country regulations, increasing compliance costs by over 30%. Furthermore, the lack of alignment in rules for international commercial arbitration and cross-border bankruptcy constrains the international development of enterprises.

2. Current Status and Challenges of China's Business Environment

2.1. Market Access Requires Further Strengthening

As the primary gateway for optimizing the business environment, the institutional design of market access directly determines the allocation efficiency of production factors and the willingness of international capital to flow. In recent years, China has utilized the dynamic compression of the negative list and the convenience of the entire enterprise life cycle as dual drivers to systematically dismantle various explicit and implicit barriers, laying the regulatory foundation for institutional opening-up. In the field of negative list management, the Market Access Negative List was further reduced to 117 items in 2024, a 40% reduction compared to the first edition in 2018. Notably, the negative list for foreign investment access retained only 29 items, achieving a "zero-restriction" opening of all manufacturing sectors. This reform is not merely a numerical reduction but a thorough cleanup of disguised local approvals through the institutionalization of the "permitted unless prohibited" principle and the rigid constraints of a "Single National List." For instance, in the biopharmaceutical sector, Pilot Free Trade Zones took the lead in removing foreign shareholding limits, directly facilitating multinational pharmaceutical companies in establishing Asia-Pacific R&D centers in Zhangjiang, Shanghai, while compressing clinical trial approval cycles from 180 days to 60 days. The dynamic update mechanism of the negative list (such as the 2024 addition of exemption clauses for frontier industries like autonomous driving and aerospace technology) not only responds to the World Bank B-Ready system's requirement for "industrial policy adaptability" but also serves as an institutional incubator for technological innovation.

Convenience reforms for the enterprise life cycle focus on resolving the historical malaise of "admitted but not operational." On the entry side, the "One-Stop Enterprise Startup" reform has transformed traditional serial approvals into parallel collaboration through cross-departmental process restructuring. A breakthrough is Shanghai's "Seamless Processing" (Wu Gan Ban) model—when an enterprise changes its business scope through the "Government Online-Offline" portal, the system automatically triggers subsequent procedures such as police seal carving and tax filing, achieving "zero materials for declaration and zero trips for processing." This is a prime example of the synergy between institutional innovation (cross-departmental coordination) and technological empowerment (legal person database sharing). Institutional innovation on the exit side is equally revolutionary. To address the difficulty of enterprise dissolution, the 2024 Regulations on the Exit of Market Entities compressed the simplified cancellation public notice period from 45 to 20 days and expanded its application to limited liability companies with no business operations or outstanding debts. This move lowers exit costs and utilizes legal means to activate stagnant production factors, echoing the "Ecological Dimension" requirements for resource reallocation efficiency.

2.2. Regulatory Enforcement Requires Standardization

Regulatory enforcement, as the key link for the

implementation of market rules, is undergoing a historic shift from "strict management and heavy penalties" to "inclusive and prudent supervision." This transition rests on the dual pillars of flexible regulation and rigid constraints on fair competition, reserving space for error correction for growing enterprises while fortifying the legal defense for market fairness. The deepening of inclusive and prudent supervision is reflected in the nationwide promotion of "non-penalty for first-time offenses" and "exemption for minor offenses" lists. In 2024, governments at all levels released a cumulative 3,952 list items covering 15 fields, including market regulation and ecological environment; the transportation sector alone benefited 210,000 enterprises. Jilin's innovative "Scan-to-Inspect" App utilizes technological empowerment to solve the dilemma of enforcement disturbing enterprises. Enterprises scan a QR code to generate an electronic inspection record, while enforcement agencies must file inspection items in advance and receive random assignments through the system, leading to a 20% year-on-year decrease in enterprise-related inspections in 2024. Such institutional designs transcend the traditional "command-and-control" model by embedding technological tools into regulatory rules, forming a smart regulatory ecosystem that is "unobtrusive yet omnipresent." Simultaneously, rigid constraints on fair competition review have been strengthened. In 2024, central and local authorities collectively cleaned up 4,218 policies hindering a unified market, focusing on local protectionist clauses in bidding and procurement. Anti-monopoly enforcement focused on the platform economy and livelihood sectors, with annual fines totaling 119 million RMB. For example, a pharmaceutical company was fined the maximum 8% of its annual sales for a monopoly on raw drug materials. These measures maintain market order through legal deterrence and create a level playing field for SMEs.

2.3. Deviations Between Corporate Expectations and Government Goals

The rule of law is the ultimate guarantee for the optimization of the business environment, and its core lies in solidifying the institutional trust of market entities through improved judicial efficiency and government integrity. The leap in judicial efficiency is attributed to technological empowerment. Shanghai courts constructed a "Digital Execution System" that integrates data from 46 departments, including public security, taxation, and banking, pioneering an "AI Assessment Model for the Judgment Debtor's Fulfillment Capacity." By analyzing over 200 indicators such as consumption records and social security payments, the system accurately identifies malicious debt evasion. In 2024, the execution fulfillment rate exceeded 38%, a 21-percentage-point increase over traditional models. When a tech company faced 6 million RMB in overdue payments, the court utilized the system to freeze the debtor's hidden virtual currency accounts, realizing the assets within 48 hours. This confirms the efficacy of technology in the judicial system—digital tools solve the "finding people and property" problem, converting paper judgments into tangible rights. Government integrity building addresses the governance chronic ailment of "new officials ignoring old debts." Heilongjiang established a four-level (province, city, county, township) contract compliance supervision platform using blockchain technology to store 12,000 government agreements, setting AI warning rules: a reminder is automatically sent when a project payment is 15 days overdue, and a three-level supervision is triggered at 30 days. In 2024, this platform prevented government default risks 1,273 times. After a management committee in a development zone was exposed by the system for failing to pay engineering fees on time, it raised funds to clear the debt within 24 hours. This move reshapes government-business mutual trust through institutional rigidity, attracting 34 Guangdong enterprises to invest northward and highlighting the value of a legal environment in nourishing regional economic ecosystems.

3. Strategies for Improving Business Environment and Collaborative Paths

3.1. Regional Differences in Collaborative Paths

The regional practices of China's business environment present a highly diversified landscape. At its core, this represents the adaptive evolution of the "Institution-Technology-Ecology" three-dimensional framework under constraints such as local government capacity, market development levels, and technological endowments. This evolution is not a simple replication of local experiences but a process of dynamic rebalancing among the three elements within specific fields. The Shanghai Paradigm highlights a path of "compulsory change" through the mutual construction of institution and technology. In regions with mature market and legal foundations, technological empowerment reduces institutional execution costs (e.g., substituting manual coordination with data sharing), transforming cross-departmental collaborative rules from text into practice. The Zhejiang Path reflects the logic of "induced change" through technology-ecology integration. When technological empowerment focuses on specific industrial ecosystems (such as construction), its value lies in restructuring the network of relationships among diverse stakeholders. Platform-based governance lowers the threshold for industry associations and SMEs to participate in institutional synergy. Central and Western Practices reveal an adaptive "downscaling strategy." In regions with weaker foundations, innovation is characterized by "institution-first, technology-adaptation" incremental coupling. For example, Chongqing uses AI warning models to compensate for insufficient formal institutional authority, quickly establishing regulatory credibility.

3.2. Three-Dimensional Synergy Among Market, Government, and Enterprises

While local innovations validate the framework, they also expose deep structural fractures between institutions, technology, and ecology—contradictions where institutional supply lags behind technological capability. Institutional Vacuums in Data Ownership: The core of the dilemma in opening public data lies in the "North Paradox" faced by government departments. Acting as both data controllers and suppliers, departments often refuse sharing due to "security-related liability avoidance" in the absence of specific regulations like the Regulations on Authorized Operation of Government Data. Conflict Between Bureaucratic Inertia and Digital Governance: Administrative staff often show "rejection reactions" to digital tools. This "Digital Formalism"—such as requiring enterprises to resubmit electronic materials—stems from path dependency,

misaligned incentive structures (where digital efficiency is not part of performance reviews), and a lag in digital literacy. Sovereignty Tensions in International Rule Adaptation: The difficulty in cross-border data flow highlights the fundamental tension between technological sovereignty and globalization. Conflicts between international trade rules (like DEPA) and domestic laws (like the Data Security Law), along with a lack of mutual recognition in technical standards, force enterprises to bear high "rule friction costs."

3.3. Mechanism Safeguards for Three-Dimensional Synergy

Resolving these fractures requires a dynamic mutual-construction mechanism of "Institutional Supply—Technological Governance—Ecological Evolution." Institutional Level: It is essential to achieve the synergistic reconstruction of data property rights and execution systems. This includes creating a layered empowerment legislation framework. For public data, an "authorized operation" system should be established to fill the legislative void. For private data, a "usufructuary right" framework can allow value exchange within compliance boundaries. Simultaneously, "digital efficiency indicators" must be integrated into the cadre evaluation system to dissolve administrative inertia. Technological Level: Governance must embed adaptive tools that match institutional environments and subject capabilities. Digital twin systems can create a closed-loop iteration of "policy design-practice feedback" to reduce deviations between policy text and implementation. Additionally, the development of lightweight industry models (e.g., low-parameter ERP systems for SMEs) can shift technological empowerment from an elite, high-cost model to a pervasive, low-threshold model. Ecological Level: Synergy must be achieved through rule compatibility and institutional opening-up. China should adopt a "Negative List + Default Permit" model for cross-border data flows, similar to the Shanghai Free Trade Zone, balancing security with efficiency. Most importantly, a "syntactic translation" from technical practice to institutional language is needed. By refining local experiences—like "parallel approval"—into universal rules, China can transform its practices into modular international standards, contributing to the diversification of global business environment benchmarks.

4. Conclusion

The core theoretical value of China's business environment optimization lies in its empirical examination of the developmental economics proposition: the co-evolution of "institutional capacity" and "technological capacity." Chinese practice effectively falsifies the unidimensional evolutionary perspectives of both "institutional priority" and "technological leapfrogging." Practices such as Shenzhen's "credit-based alternative to regulation" and Huanggang's "benefit enjoyment without application" demonstrate that in fields where the supply of formal institutions is relatively weak, technological tools can exert a "leverage effect." By precisely matching foundational data, these tools activate local institutional efficacy; conversely, simplified institutional designs can effectively release the application potential of technology. This dynamic process of "mutual adjustment and adaptive innovation" provides a path of incremental coupling for emerging economies to circumvent systemic risks during transitional periods. From a theoretical perspective, this further extends Daron Acemoglu's theory of institutional change, suggesting that the bidirectional synergy between institution and technology can serve as a "third evolutionary path" for latecomer nations to leapfrog the "institutional capacity trap." Although the World Bank's B-Ready system has increased the weighting of the "Public Services" dimension, it has yet to fully reveal the endogenous generation mechanism of its effectiveness. The Chinese experience indicates that the enhancement of public service efficiency does not rely solely on the expansion of fiscal investment; rather, it fundamentally depends on the interface design between "institutional supply" and "technological empowerment." In the future, China can leverage this "interface mechanism" to propel the transformation of public services from "homogenized supply" to "demand-responsive governance," providing a highly operational framework for the mechanism-based explanation of global business environment assessments.

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