Journal of Innovation and Development
ISSN: 2958-4752 | Vol. 1, No. 1, 2022

Exploration on the continuous optimization of the business environment to build a civilized government under the rule of law

Xiangling Sima

China University of Political Science and Law, Beijing, 100000, China

Abstract: Countries around the world have been optimizing their business environment in order to improve their investment and market environment and promote healthy economic development. In recent years, Chinese governments at all levels have taken legal actions that are fair, safe, honest, convenient and predictable, benchmarked themselves against advanced international examples, focused on expanding and enhancing the scope and adjusting functions of marketization and rule of law, and addressed the difficult and blocking issues that undermine the business environment as a starting point, and blazed a trail to optimize the business environment, achieving certain realistic results, based on China's basic national conditions, and opening up a path to strengthen the rule of law and civilized government and focus on solving the soft environment issues such as institutional mechanisms. Based on China's basic national conditions, it has opened up a road for building a business environment with Chinese characteristics by strengthening the rule of law and civilized government and focusing on solving soft environment problems such as institutional mechanisms.

Keywords: Business environment; Government functions; Rule of law protection.

1. International conditions of the business environment and China's national conditions

The business environment in a broad sense includes both the hard and soft environments. The hard environment mainly refers to the natural environment and supporting facilities on which market players engage in production, business and trading activities, such as the climate, resources, products, transportation and communication facilities of the place of business; the soft environment refers to the institutional and institutional factors and conditions involved in the commercial activities of market players, including the soundness of the legal system, the integrity of the government, administrative efficiency, law enforcement, judicial fairness, the burden of taxes and fees and the cost of financing etc. (Guo Fuqing, 2021). The business environment in a narrow sense usually refers to the soft business environment and is discussed in this paper in this sense. According to the Doing Business 2020 report published by the World Bank in 2019, China ranks 31st out of 190 economies in the world in terms of its business environment (The World Bank, 2018), which is an improvement from 90th to 31st since the "administrative and management" reform in 2015. Such a significant increase shows that the regulation of government functions plays a crucial role in optimizing the business environment. Since the implementation of the "decentralization" reform, China has reduced direct government intervention in the market through decentralization and the transformation of government functions to facilitate the optimization of the business environment; the focus of which is on the "soft environment" in terms of institutional coordination and efficiency, rather than the "hard environment" in terms of infrastructure. The focus is on the 'soft environment' in terms of efficient coordination of institutional mechanisms rather than the 'hard environment' in terms of infrastructure.

The joint research group on optimizing the business environment, formed by the China Institute of Economic Law, the Business School of the China Academy of Management Sciences and the Sichuan Economic and Legal Research Association, selected economically developed Zhejiang Province, economically rising Sichuan Province and economically less developed Qinghai Province as samples for research, and explored the role and practical effectiveness of the government in continuously optimizing the business environment through the analysis of the differentiated issues reflected.

In terms of the current situation, economically developed regions are generally ranked high in terms of the average value of the business environment. Zhejiang Province, for example, has a short time for administrative approval and permitting, a high degree of convenience, top ranking in terms of ease of financing, market size and consumption power, and has certain advantages in terms of ease of schooling for children of those doing business in other places. The economy is rising regional provinces and cities in the business environment to improve the space for flexible and diverse, to Sichuan Province, for example, Sichuan business environment index ranked fourth in the country, the sub-environmental balance ranked third, in contrast, the size of the Sichuan government ranked lower, indicating that governments at all levels "vigorously improve the quality and efficiency of the various expenditures to do their best to be careful, to use every money on the edge of the knife, the critical point, to let the market players and the people have a real feeling". Compared with the first two regions, the current situation of the business environment in less economically developed regions is not optimistic, taking Qinghai Province as an example, the business environment index of Qinghai Province is 43.05, far below the national average ranking twenty-eighth. The reasons for this are that the implementation of offline parallel processing of e-government at all levels of government in Qinghai Province is not enough, and the reform of "management and service"

still needs to be strengthened. Few initiatives to reduce costs for business start-ups. Government departments have cross-functional, inefficient processing, and insufficient inter-departmental coordination. The property registration system is not efficient, the data sharing channels between departments are not smooth, and entrepreneurs feel less secure. The rule of law environment has not yet been fully formed, with a single channel for enterprises to defend their rights, weak independent case handling power and judicial trials to be improved.

2. The Role of the Government in Sustainably Optimising the Business Environment and its Effectiveness in Practice

The aforementioned study on the business environment in regions with different levels of economic development shows that even within a country, which maintains the same political and legal context, differences in the institutional and policy "soft environment" for investment can be caused by differences in government policies, regulations and law enforcement between regions within the country (This demonstrates the crucial role that governments play in continuously optimising the business environment - by providing various management and service systems and implementing targeted policy instruments to create the most business-friendly institutional soft environment, as well as providing certain infrastructure and other hard environments to meet the production, operation, transaction and rights protection needs of market players. The role of the government is to create the most conducive institutional soft environment for doing business by providing various management and service systems and implementing targeted policy instruments.

2.1. Providers of institutional environment

Under the general environment of public ownership as the mainstay and the joint development of multi-ownership economy that China has always insisted on, the market plays a decisive role in the allocation of resources, and the market economy is the economy of the rule of law, which needs to be regulated and safeguarded by the rule of law, and the economic and legal policies of the state are precisely to achieve the goal of the economy of the rule of law (Liu Moru and Liu Yitong, 2020).Since China proposed to continuously optimise the market-oriented, rule-of-law and international business environment, local governments at all levels have attached great importance to the construction of a business environment and, in the process of implementing national economic and legal policies, have fully taken into account the objective conditions and realistic needs within their administrative regions to design the construction goals and specific paths of a business environment, and to realise the goals and requirements of the market playing a decisive role in the allocation of resources with a variety of supporting institutional mechanisms.

Specifically, the institutional environment consists of five main aspects, namely the government-market relationship, the non-state economy, product markets, factor markets and the legal system environment (Lu Junxiao, 2019). In order to realise the decisive role of the market in resource allocation, the Chinese government has made continuous improvements to the institutional mechanism year by year, requiring the government to delineate its own terms of reference, and the government has successfully achieved withdrawal from market operation activities. At the same time, by building an effective institutional environment and actively implementing its responsibilities for macro-regulation and market supervision, it has been able to allocate resources rationally and guarantee a good institutional environment for the operation of enterprises and other market players. The government plays a very important regulatory role in this, both at the level of the supply of institutions and the participants in the market. Therefore, in the process of optimising the business environment, the main objective of the "decentralisation" reform, as an important tool for optimising the business environment, is also to clarify and decentralise some unreasonable administrative powers and improve the quality and efficiency of government public services, which will not only reduce the transaction costs faced by enterprises, reduce the blind investment behaviour of the government and its ineffective intervention in enterprises, but also inhibit the irrational investment behaviour of enterprises, improve the efficiency of optimising the allocation of resources and the efficiency of regional knowledge production, thus providing a good institutional support and guarantee for the market to play a fundamental role in the allocation of resources.

National economic and legal policies, while promoting and safeguarding local economic development, often give great scope for optimising the local business environment. Local governments, under the guidance of the central government, can provide institutional incentives by formulating targeted local regulations and policies to better realise the institutional resonance between the state and the local level and promote the rule of law in the business environment.

2.2. Providers of public services

In the report "Providing Infrastructure for Development" published by the World Bank in 1994, the total infrastructure is divided into two categories: economic infrastructure and social infrastructure, where economic infrastructure includes: public utilities such as electricity, communications, piped gas, piped water, sewage, solid waste collection and disposal; public works such as dams, water projects, roads; other transport sectors such as railways, urban transport, ports, rivers and airports. Social infrastructure includes education, healthcare, science and technology, and culture. By improving public infrastructure and services, the government directly reduces the operating costs of enterprises and enhances the business environment, and through the provision of public services, directly or indirectly participates in the production and operation of enterprises and influences their productivity.Take the developed eastern province of Zhejiang in China as an example. Compared with the central and western provinces in China, it has a more complete urban infrastructure and can meet most of the needs of workers, thus attracting a large inflow of talents, improving the regional innovation capacity, matching the development of talents and industries, having a smaller shortage of highly skilled talents, sufficient endogenous market dynamics and a better business environment compared to the western provinces.

2.3. Defender of fair market competition

Competition in the business environment is ultimately a competition for the rule of law, the core of which lies in providing an environment of equal competition for market

players. Competition policy should have a priority and fundamental position in China's policy system on market economy, which is an inherent requirement to give full play to the advantages of the market economy system. In order to modernise towards high-quality development, it is necessary to promote a "neutral" GSP policy with fairness and justice in market competition, so as to gradually replace the tilted industrial policy with a competition-neutral policy (Liu Zhibiao, 2019).In the past 40 years, the preferential policies and government services of local governments in attracting investment through preferential treatment, such as land use, tax exemptions, financial subsidies, regulatory protection, etc., are not universally applicable to other enterprises or potential investors, and are not in line with the spirit of equality in modern society.The main policies and services of local governments vary from time to time and from enterprise to enterprise, and are not open and transparent, operating behind closed doors, increasing systemic transaction costs and the risk of rent-seeking. Local governments targeting specific enterprises to attract investment is in essence raising the threshold for market access, risking the exclusion of other enterprises and exacerbating the closedness, inequality and uncertainty of the market, which is contrary to the essential requirements of a market economy.

Local governments at all levels in China have made efforts in recent years to promote the change from preferential approaches to inclusive approaches such as equal and strong protection of enterprises' rights, lowering market entry thresholds, reducing taxes and fees equally for all enterprises, strengthening the construction of science and technology innovation infrastructure platforms, reducing logistics costs and financing costs and energy costs and factor resource costs, strengthening compensation and protection for the risks of failure in innovation and entrepreneurship, improving the efficiency of government services and breaking down institutional barriers to the free flow of production factors, so as to ensure fairness in competition among market players and create a fairer business environment.

2.4. Defenders of legal rights

Nowadays, IPRs have penetrated into all aspects of business operations, such as IPR contributions in start-ups, IPR transactions in cross-border trade, IPR licensing in the execution of contracts, and the valuation, accounting and distribution of IPR interests in bankruptcy and liquidation (Li Yufeng and Chen Wei, 2020). Adequate and effective protection of IPRs is an important aspect of optimising the business environment. Therefore, the Doing Business report published by the World Bank in 2005 included "intellectual property protection" as its theme or focus (Lou Chengwu and Zhang Guoyong, 2018).On 5 November 2018, at the opening ceremony of the First China International Import Expo, General Secretary Xi Jinping said in relation to creating an international first-class business environment, he stated, "Resolutely punish infringement of the legitimate rights and interests of foreign investors, especially infringement of intellectual property rights, in accordance with the law, improve the quality and efficiency of intellectual property review, introduce a punitive compensation system, and significantly increase the cost of violating the law."

The government has a fundamental role in the protection of intellectual property rights. On the one hand, it builds a bridge between the facts of the legal normative elements of IPR infringement and the facts of the case, and opens up the legal application channel for IPR protection; on the other hand, it enacts IPR administrative regulations and departmental rules to make up for the shortcomings of the legislature in the supply of IPR legal system, and improves the legal system for IPR protection. In the context of optimising the business environment, the fundamental position of the government in IPR protection has become more prominent as it requires the government to deepen reforms in the administrative field of IPR and take institutional measures such as enacting, amending and improving administrative regulations, rules and administrative normative documents on IPR and specific measures such as improving the efficiency of IPR examination, improving IPR registration and providing IPR information to improve the institutional environment for IPR protection. In general, these include three functions, namely the institutional provision of IP administrative legislation and normative documents, the public service function of defining property rights and building information platforms, and the market supervision function of IP administrative enforcement.

3. Furthering the important role of a civilised government under the rule of law in optimising the business environment

3.1. Actively create a business environment based on the rule of law

The rule of law in China used to emphasise on market players' compliance and obedience to the control and constraints of the law, i.e. how market players adapt to the external legal environment. However, optimising the business environment requires the government to change its concept and functions, to take the initiative to supply high-quality public goods under the rule of law, to serve market players and to create a business environment that is suitable for the survival and development of market players under the rule of law. The most important thing is to improve the effectiveness of the government's administration in accordance with the law and to solve the problem of the overall inefficiency of government services and the difficulty, slowness and complexity of doing business. The main focus should be on improving the efficiency of administrative law enforcement from the following points of emphasis: First, to protect the rights of all market players equally in strict accordance with the law and to strengthen the protection of property rights of private enterprises; to achieve guidance and protection of the conduct of market players in strict accordance with laws and regulations. Second, to promote fair regulation, further reform and improve the fair competition review and fair regulation system, and accelerate the cleaning of various regulations and practices that hinder the unified market and fair competition. Promote "double random, one open" cross-departmental joint supervision, implement credit supervision and "Internet + supervision" reform. Third, regulate the conduct of market players and the government in accordance with the law, achieve open and transparent rules, fair and impartial regulation, improve policy transparency and consistency in implementation, and create a fair market environment in which domestic and foreign enterprises are treated equally and compete fairly. Fourthly, we will increase the protection of intellectual property rights, continuously improve the fair protection

of intellectual property rights such as patents, trademarks and trade secrets, and promote enterprise innovation.

3.2. Actively create a market-oriented business environment

Actively promote market-oriented reforms to achieve a decisive role for the market in the allocation of resources and a better role for the government. First, we should continue to deepen and promote the reform of the Party and state institutions. Improve the functional system of institutions at all levels, standardize the responsibilities of government departments at all levels, and manage all types of institutions in accordance with the law; make the government's market behavior lawful, so that the government should not be in charge of matters to the market, to minimize the direct allocation of resources. Second, we should continue to promote the "management and service" reform, further transform government functions, deepen the simplification and decentralization of government, enhance the sense of service, and constantly reduce systemic transaction costs. In the World Bank's Doing Business 2020 report, the biggest improvement for China in 2019 was in the indicator for processing work permits, which rose 88 places to rank 33rd in the world. The ease of doing business in China has jumped to 31st in the world in the overall ranking, up 15 places from 2018. However, there are still some deep-rooted problems in indicators such as taxation and access to credit support in China, especially in the vast central and western regions, where individual areas are taxed heavily, taxed more often and procedures are cumbersome, and the problem of access to finance, especially for small, medium and micro enterprises, has not been effectively addressed. Therefore, there is a need to further reduce the negative list of market access in the future, to make "no entry" a basic principle across the board, to expand the scope of market allocation of resources, to minimize the direct allocation of resources by the government, and to allow the market to play its full role as the most efficient form of resource allocation. To implement the "separation of licenses and permits" for business licensing matters, simplify the process and links, speed up the realization of a network, off-site can be done, the implementation of "one window to accept, reduce the number of permits for the convenience of the people, once or within a time limit" measures to speed up market access, optimize government services to facilitate investment and business, further reduce the tax burden on market players, reduce their operating costs and enhance their competitiveness.

4. Conclusion

The overall idea of optimising the business environment in China should be to benchmark against advanced international regions, to align with advanced levels and to focus on pushing market-oriented and rule-of-law reforms deeper and deeper. In an environment of increased global economic uncertainty and an integrated international unified market, China must build an international first-class business environment if it is to gain a competitive advantage. The essence of a business environment is a market economy, and a market economy is a rule of law economy.Only by starting from the requirements of modernising the government's governance system and capacity, taking the needs of market players as the guide, adhering to the principles of marketisation, rule of law and internationalisation, and unremittingly working on the comprehensive optimisation and enhancement of the market environment, the governmental environment, the rule of law environment and the humanistic environment, can we fundamentally promote a better combination of an effective market and a responsive government (Xie Laibi, 2021), and create a stable, fair, transparent and predictable environment for all kinds of market players to invest and prosper.

References

[1] World Bank. Doing Business 2019 Training for Reform［R］. Washington：The World Bank，2018.

[2] Guo Fuqing: China's thoughts on marketization and rule of law in business environment[J]. Academic Forum 2021(1):1-12.

[3] Li Chengshun: Giving full play to the important role of government in optimizing the business environment[J]. Technology Economics 2020(4): 132-136.

[4] Liu Moru and Liu Yitong: Functional positioning and construction paths of local governments in China to optimize the business environment[J]. China Development 2020(6):29-35.

[5] Lu Junxiao: Creating a market-oriented, rule of law, facilitated and international business environment [J]. Banner, 2019 (11): 68-69.

[6] Liu Zhibiao. Equal competition: the basis for optimizing the business environment of private enterprises in China [J]. Social Science Front,2019(4).

[7] Lou Chengwu and Zhang Guoyong: Construction of a framework for assessing the business environment based on the subjective perceptions of market players - with a review of the World Bank's business environment assessment model [J], Contemporary Economic Management 2018(6):63.

[8] Li Yufeng and Chen Wei: The government's function in intellectual property protection under the optimized business environment[J]. Intellectual Property Rights, 2020(7): 14-25.

[9] Xie Laibi: The local government's role in optimizing the business environment and smoothing the double circulation[J]. Exploration, 2021(4):146-161.

[10] Li Jincheng: Reflections on optimizing the rule of law environment for doing business through government compliance with the law[J]. Law and Society, 2021(7): 142-188.

[11] Zang Shan: Exploring the path of optimizing business environment from the perspective of government governance [N]. Journal of Jining College, 2021 (2): 54-59.