Comparative Analysis of Ease of Doing Business in Major Cities in China

Based on the Comparison Between Mainland China and Macao

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Abstract—The article compares the entrepreneurial ease, ease of starting a business, ease of production factors, ease of trade, tax burden and administrative service guarantee between Mainland China and Macao, so as to absorb the advanced experience from Macao and explore the shortcomings of the ease of doing business in Macao. Besides, the article also tries to find out how Mainland China and Macao can better cooperate and jointly build a good business environment together.

Keywords—Mainland China; Macao; ease of doing business

I. INTRODUCTION

In the "Five-year Action Plan for Building a Legal International Business Environment" formulated by Guangdong Provincial Party Committee and Provincial Government, it is pointed out that ease of doing business refers to the sum of various surrounding circumstances and conditions that accompany the whole process of enterprise activities (including all links from start-up, operation to the end). Specifically, it includes entrepreneurial ease, ease of starting a business, ease of production factors, and ease of trading, tax burden and administrative service guarantee.

II. REVIEW OF THE RELATED POLICIES AND REGULATIONS

A. Review of Policies and Regulations in Mainland China

The reform of the business environment has been promoted from top to bottom in the policy line in Mainland China. To improve entrepreneurial convenience, there are several policies such as "State Council’s Opinions on Strengthening the Implementation of Innovation — Driven Development Strategy to Further Promote the Innovation and Development of Public Entrepreneurs", which is supported by the innovation-driven development strategy. In terms of the entrepreneurial ease, ease of starting a business, ease of production factors, ease of trade, tax burden and administrative service guarantee, the government run the policies on streamlining administration and institute decentralization, on delegating powers of the government, and on improving the regulation and services, together with property protection systems to support. As for tax burden reducing, there are a series of measures to reduce the burden on enterprises.

B. Review of Policies and Regulations in Macao

Business incentive measures are used well in Macao. There are fiscal incentives, financial incentive, SME subsidy schemes; young entrepreneurs aid schemes, convention and exhibition incentive measures, subsidies to encourage enterprises to employ and temporary measures for the income subsidy. ¹

III. COMPARISON BETWEEN MAINLAND CHINA AND MACAO

When comparing the business environment between Macao and Mainland China, the following indicators are adopted: the entrepreneurial ease, ease of starting a business, ease of production factors, and ease of trade, tax burden and administrative service guarantee. Among them, the entrepreneurial ease includes the negative list of market access and the reform of the commercial system. The ease of starting a business includes the list management system of industrial projects, the project construction permit and the license application process. The ease of production factors includes financing cost, labor cost, land and electricity cost, etc. Ease of trade includes competition environment and cross-border trade facilitation. Tax burden includes business tax burden reduction and financial support. Administrative service guarantee includes innovation of government services, transformation of law enforcement supervision and innovation of commercial dispute resolution mechanism.

The data and information are from the Macao Consumer Council Network, the Printing Department of the Macao Special Administrative Region Government, the Macao Legal Network, the Macao Special Administrative Region Public Service Optimization Administration Bureau, the Macao Customs Official Website, the Macao Consumer Council Official Website and Macao Trade and Investment Promotion Institute. Relevant information on the policies in Mainland China comes from the central government's policy

¹ Macao Trade and Investment Promotion Institute official website https://www.ipim.gov.mo/

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advancement. The effectiveness level of these documents is basically normative documents, with a small number of departmental normative documents and legal norms.

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<th>TABLE I. COMPARISON OF IMPLEMENTATION BETWEEN MACAO AND MAINLAND CHINA</th>
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<td><strong>Entrepreneurial ease</strong></td>
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2 Law of the People's Republic of China on the Promotion of Small and Medium Enterprises  
4 Resolution of the First Session of the 13th National People's Congress on the Implementation of the 2017 National Economic and Social Development Plan and the 2018 National Economic and Social Development Plan  
6 Visit https://www.ipim.gov.mo/zh-hans/services/one-stop-service/handle-company-registration-procedures  
7 Notice of the General Office of the State Council on Printing and Distributing the National Key Points of Tasks for the Deepening of the Administration of the Administration, the Decentralization of Administration, and the Optimization of the Service Reform, State Office issued [2017] No. 57  
8 “Work Plan for Reducing the Cost of Enterprises in the Real Economy”  
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<th>Ease of trade</th>
<th>Create conditions for fair business. Both the comprehensive department and the business supervision department should carry out the supervision responsibility, achieve &quot;double randomization and one openness&quot; supervision coverage within the year, and carry out comprehensive law enforcement reform. In Beijing, Tianjin, Shanghai, Hainan, Shenzhen and other provinces and cities (regions) to deepen the innovation and development of service trade, explore and improve the market access system for service trade under the modes of cross-border delivery, consumption abroad, and natural person movement, gradually relax or cancel restrictive measures, and push forward the opening to the outside world in an orderly manner. Set up 13 cross-border e-commerce comprehensive test zones, with a &quot;single window&quot; for international trade covering the whole country, shortening the customs clearance time of goods by more than half on average, and achieving a steady return to good import and export. The Shanghai — Hong Kong Link, the Shenzhen — Hong Kong Link and the Bond Link have been launched one after another, and the RMB has joined the IMF Special Drawing Rights (SDR) currency basket. Macao is an international free port, independent customs zone. All Macao taxpayers and legal persons have the right to engage in foreign trade. The speed of customs declaration is faster, with a promise of 4 minutes of customs declaration, and the implementation rate is 95%.</th>
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<td>Tax burden</td>
<td>“Three go, one drop, one supplement” and vigorously simplify administration, reduce taxes and fees. Steps have been taken to comprehensively push forward the business transformation and increase, taking measures such as tax concessions for small and micro enterprises and clearing up various fees and charges, reducing the burden on market players by more than 3 trillion yuan. The reform of the export tax rebate burden mechanism and the increase in tax rebates will all be borne by the central government. The taxes are simple and low. There are many tax concessions. The main taxes include income supplement tax, business tax, occupation tax, house tax, motor vehicle tax, consumption tax, stamp duty and social security fund. Tax administration is in line with international standards.</td>
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<td>Administrative service guarantee</td>
<td>Establish a new supervision mechanism with credit as the core, promote &quot;internet plus government service&quot;, continuously improve service efficiency, achieve &quot;double randomization, one openness&quot; supervision coverage, and promote comprehensive law enforcement reform. Vigorously promote the &quot;internet plus government service&quot; and carry out the special action of &quot; reducing the number of certificates and facilitating the people&quot;, strengthen the connection between litigation and mediation, and guide the parties to choose commercial mediation. The public service network is perfect and consists of government information centers, citizen service centers and online electronic services. The evaluation of the public service network consists of three parts, namely, &quot;survey of citizen satisfaction&quot;, &quot;recognition system of service commitment&quot; and &quot;certification of ISO international management standards&quot;. The Consumer Council has a &quot;Consumer Dispute Arbitration Center&quot; which provides free information, mediation and arbitration services.</td>
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11 During the supervision process, the inspection objects were randomly selected, and law enforcement inspectors were randomly selected. The spot check and the investigation results were disclosed to the public in a timely manner.
12 Notice of the General Office of the State Council on Printing and Distributing the National Key Points of Tasks for the Deepening of the Administration of the Administration, the Decentralization of Administration, and the Optimization of the Service Reform, State Office issued [2017] No. 57
13 Reply of the State Council on agreeing to deepen the pilot reform of service trade innovation (State letter [2018] No. 79)
14 Resolution of the First Session of the 13th National People's Congress on the Implementation of the 2017 National Economic and Social Development Plan and the 2018 National Economic and Social Development Plan
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16 Resolution of the First Session of the 13th National People's Congress on the Implementation of the 2017 National Economic and Social Development Plan and the 2018 National Economic and Social Development Plan
17 Macao Trade and Investment Promotion Institute official website https://www.ipim.gov.mo/
20 Resolution of the Fifth Session of the 12th National People's Congress on the Implementation of the 2016 National Economic and Social Development Plan and the 2017 National Economic and Social Development Plan
21 Report of the Supreme People's Court on the comprehensive deepening of judicial reform by the people's courts
22 http://app.safp.gov.mo/qs visit July 14, 2018
IV. COMMENTS

A. Mainland China Can Learn Advanced Experience from Macao

In terms of government services guarantee, Macao is highly efficient. The government affairs service in Macao will be electronic as a new starting point for public services, combined with “one-stop services”; the government will have high efficiency and fast approval speed, while providing corresponding consulting and commercial resources. And also, the supervision mechanism of the government service is important to improve the efficiency. For example, the “one-stop investment service center” combines public supervision and self-supervision.

Mainland China can learn to improve the efficiency of government services, which can benefit the entrepreneurial ease, ease of starting businesses and guaranteeing government affairs. In Macao, in the “one-stop service” system, the distribution of power among different administrative departments of Macao government has changed. For example, in the licensing application approval service of the General Administration, the original functional department “delegates” the power to the one-stop service window, so the efficiency is higher. Mainland China can explore and adjust the corresponding window service, adjust the power contribution, and reduce the time consumption of inter-departmental material transfer and so on. In addition, the Mainland China can also learn from Macao's supervision mechanism, which introduces citizen supervision and international management standard certification, in addition to self-supervision. In this way, the government can get better feedback from the masses and facilitate better communication with the international community and promote trade cooperation between countries. Finally, the government service in the new era should attach importance to electronic system, so as to improve the efficiency.

In terms of taxation, there is also a big gap between Mainland China and Macao. As a free trade area, Macao has low taxes and more tax concessions. It is difficult for Mainland China to have significant tax cut in a short period of time. It is suggested to introduce more preferential tax policies for enterprises.

B. Macao Can Improve the Business Environment

Although Macao is rated as one of the most open trade and investment systems in the world by the World Trade Organization (WTO) and has unique advantages such as being a free port and a separate customs territory, Macao's business environment is not good in terms of ease of factors of production. Due to the small population in Macao, the resources are scarce, the market is small, and the labor force is not sufficient. Gambling industry has brought about the super prosperity of Macao's economy. While boosting Macao's economic development, the high profits brought by the gambling industry has attracted capital investment, accompanied by expansion. According to the relationship between supply and demand, the demands for land, employment and other needs are promoted. Combined with the small population in Macao, the cost of land and employment is increased, so the rent and employment wages are increased and the ease of factors of production is not high. At the same time, because the gambling industry is dominant and the industrial structure is relatively single, the attraction and utilization of the gambling industry to factors of production has squeezed the living space of small and medium-sized micro-enterprises that are not gambling, affecting the social and ecological environment for the growth of small and medium-sized micro-enterprises. It is not conducive to Macao's long-term development.

Gong Weiping and Liu Yuezhong also mentioned in “Research on the Business Environment of Small and Medium sized Enterprises in Macao” that the business environment problems faced by small and medium-sized enterprises in Macao are mainly reflected in the market environment, financing environment and talent environment. From the perspective of market environment, gambling industry has squeezed the space for the survival and development of the small and medium-sized micro-enterprises. From the perspective of financing environment, the internal contradiction of bank-enterprise system makes the financing of the small and medium-sized micro-enterprises difficult, with a single source of funds, narrow and unsound external financing channels, difficult financing and expensive financing. From the perspective of talent environment, the human resource environment of small and medium-sized micro-enterprises is unfavorable due to the shortage of labor force and the increase of labor cost.

In order to maintain the sustainable development of Macao's economy, Macao should change its mode of economic growth, tap the advantages of free port system and establish a "going global" economic development strategy. Chen Guanghan and Li Xiaoying mentioned in “Macao’s economic development bottleneck and" going out" strategy". The strategy of “going out” mode includes: the government establishes a sovereign fund, combines industry with service, and small and medium-sized micro-enterprises should “go out”. It is also suggested that Macao should strengthen internal optimization, strengthen service functions and cultivate entrepreneurship. Among them, the “going out” of sovereign funds refers to the Singapore model, making use of fiscal surplus to invest in the markets of Mainland China and international market and forming a virtuous circle of fiscal development with capital. The combination of industry and service emphasizes deepening tourism cooperation, building trade platforms between Mainland China and Portuguese — speaking countries, and promoting cooperation with the Pearl River Delta's characteristic

24 http://www.ccpit.org/Contents/Channel_3590/2015/1117/502726/content_502726.htm Visited July 13, 2018
industrial service clusters. When enterprises go out, small and medium-sized micro-enterprises are suggested to develop in areas with lower business environment costs such as the Pearl River Delta.

In addition, in the competitive environment, the monopoly and competition laws and regulations in Macao do not adopt a single competition code or regulation, and the existing provisions focus more on regulating "unfair competition" than "monopoly behavior". With Macao's economic development and the settlement of multinational enterprises, there may be different levels and types of monopoly behavior in the market, so it is necessary to formulate a sound anti-monopoly law.27

C. Strengthening the Cooperation Between Mainland China and Macao

Due to the small population and lack of resources in Macao, it is difficult for Macao to take an endogenous development path.28 Therefore, developing the cooperation with Mainland China and strengthening international cooperation are necessary for Macao to continue its development. The highly developed tourism and good business environment in Macao at this stage are also suitable as a window to China and an important way for Mainland to further strengthen its exchanges with the international community.

Macao should seize the new development opportunities brought about by the "The Belt and Road" initiative and the construction framework of Guangdong, Hong Kong and Macao's Gulf Area. At present, Macao is actively exploring the point of agreement between itself and the Portuguese-speaking countries, proposing the goal of building a world tourism center, building a business cooperation service platform between China and Portuguese-speaking countries, building a communication and cooperation base with Chinese culture as the mainstream and multi-cultural coexistence, and promoting a moderately diversified and sustainable economic development. At the same time, Macao has deepened its tourism cooperation with Guangdong Province with regard to Macao's advantageous industrial tourism: in December last year, nine cities including Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaqing, as well as the tourism authorities of Hong Kong and Macao Special Administrative Regions launched the "Guangdong, Hong Kong, Macao cooperative Chinese medicine industrial park and building an international Chinese medicine industrial base and an international Chinese medicine trading platform. 29Because of the special historical conditions and geographical environment, Chinese medicine has great development potential in Macao. The World Health Organization has decided to build a traditional medicine center in Macao, which will be organically combined with the state key laboratories and the Chinese medicine science and technology industrial park to further the development of Chinese medicine in Macao. In recent years, the Macao government has introduced a series of positive measures to support the development of Chinese medicine education, scientific research and industrialization, taking Chinese medicine as a key point of diversified economic development, and it is with the active support of the central government.

V. CONCLUSION

Macao's business environment is characterized by a high degree of openness, efficient and perfect government services and a high level of tax ease. But at the same time, the ease of production factors is low. Compared with Mainland China, Mainland is less open, government services and tax ease is not as good as Macao. However, the ease of factors of production is higher. It is suggested that Mainland should deepen reform and establish a more perfect supervision mechanism to strengthen government services, reduce taxes appropriately and reduce business costs. Macao can optimize itself internally, implement the "going out" strategy and improve its industrial structure. The Mainland and Macao should further strengthen cooperation, deepen cooperation and jointly create a good business environment under the construction of "The Belt and Road" initiative and the construction of Guangdong, Hong Kong and Macao's Great Bay Area.


29 "Guangdong, Hong Kong, Macao and Dawan District Construction Inspires New Vitality of Regional Tourism", Xinhu.net, April 29, 2018 http://www.xinhu.net/gangao/2018-04/29/c_129862330.htm Visited on July 14, 2018

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