

Research on the Supply-side Structure Reform of China's Company Law

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Abstract: At present and in the future, China's economic development faces some problems about supply and demand, but the main contradiction lies in the supply side. Facts have proved that China's problem is that the supply cannot change with the changing demand, that is, the lack of effective supply capacity leads to a large number of "demand spillovers", leading to a serious outflow of consumption capacity. To solve these structural problems, people must make efforts from the supply side and find the right position in the world supply market. In other words, Chinese government must take improving the supply side structure as the main direction of attack, and realize the leap from the low level of supply and demand balance to the high level of supply and demand balance. Among them, the company system plays a vital role in the company's survival and supply-side structural reform. In 1993, after 30 years of double-digit growth, South Korea ranked among the "four Asian dragons" from the poorest country in the world, and its per capita income rose from 82 to 8449 dollars. In this process, all countries in the world clearly believe that the supply-side structural reform of the Jin Yongsan government is indispensable. At present, some problems faced by Chinese companies are also unprecedented. The reform of China's company law is not simply a change of departmental rules, but more importantly, it can improve the competitiveness of the country and social reform and development through the revision of the company law. In this case, this paper uses the methods of comparative study and case analysis to analyze the common problems of the company system, in order to deepen the supply-side reform of the system and promote the comprehensive modernization of the company law.

Keywords: Chinese company law, supply-side reform, comparison between China and South Korea, extraterritorial experience

1. Introduction

For China's company law, in the process of reform, it needs to be revised in many ways, so as to make a better judgment according to the actual situation, strengthen the competition mechanism, and promote and improve the reform and development of the company law in the need of innovation and coordinated development under the information development of modern financial capital. Therefore, in the new stage of development, it also needs to carry out supply-side structural reform to better promote the development of the company.

2. The Dilemma of the Contemporary Company System

2.1. Difficulty in Maintaining the Competition Order

In the current development of the market economy, there is no perfect development as expected, but a variety of social phenomena. For enterprises, it is the representative of the development of market economy. From the beginning of monopoly enterprises, the value mechanism has been affected, and the market competition lacks effectiveness. Therefore, under the development of traditional theories, the market failure theory has been produced, which further points out that in the case of market failure, the government can use competition and tax to intervene in the economy [1]. In the era of Internet information, which is the most concerned at present, it is more difficult to maintain the development of competitive order. Therefore, enterprises need to make changes according to their actual needs in the development. Firstly, the Internet economy, to a certain extent, has changed the original relationship between supply and demand, resulting in the development of competition patterns. The main reason is that in the process of balanced development of the sharing economy, the Internet platform as an information provider has surpassed the supply and demand sides and become a new stakeholder. However, the allocation of shared economic resources needs a certain market scale, so it is easy to form a monopoly of the platform and unfair competition. Secondly, in the current information technology and the continuous mining and development of user information value, enterprises that master these contents could use big data to explore potential customers, generate advantages in competition, and obtain more information. With the support of data and the Internet, the cost of maintaining competition order will continue to increase.

2.2. Dissimilation of Company Operation

The frequent outbreak of financial crises also reflects the major defects in the global economic system. Economists from various countries and regions have also considered that there is no core factor for the outbreak of the financial crisis, but more scholars have begun to recognize the importance of economic organizations in the financial crisis. In the market economy, enterprises pursue short-term profits more, ignoring that the focus of enterprises should be on enterprise operation and innovation and development, but by manipulating the stock price and capital operation and other ways to raise the stock price to gain profits, the company has alienated in production and operation, and also increased the financial risk [2].

With the continuous improvement of social productivity and the continuous expansion of commercial connotation, the company's business has changed from traditional trade to trade and production and has become an important organizational form in the field of production. However, after the emergence of capital, the company needs to adapt to the development of the capital market and change its business mode again, resulting in the centralized development of corporate stocks and bonds, making trade, production and capital become the mainstream economic development mode. In terms of investment in the capital market, it provides support for the company's development momentum, and also provides relevant channels and places for the company's financial investment, making the capital market operation become the focus of major companies.

Stimulated by capital, more and more companies have gradually deviated from the original business trajectory and focused on improving corporate profits by relying on the financial market. After the listing of the company, in addition to the economic benefits generated by the company's operation, more from the rise and fall of the share price, as well as the way to improve the share price, etc., resulting in financial chaos such as share price manipulation and insider trading. For financial investment, it has the characteristics of short cycle and high rate of return. The effectiveness of investment in basic innovation and production fields is relatively slow. Therefore, the capital

originally flowing from the capital market to the real economy through companies has returned to the financial market, creating a relatively large virtual increase, which has boosted financial foam and economic risks.

2.3. Lack of Corporate Sociality

After the bourgeois revolution, individual independence and freedom of thought have been gradually applied to the development of the company [3]. In the face of the current situation, the company also needs to actively pursue profit maximization in order to meet the needs of shareholders to the maximum extent and achieve profit returns. In the modern production scale, social members are closely related, and the company's operation is also connected with other social groups of shareholders. The company's production is an individual joint structure, because the formation of the world market and production and operation have brought broader space for development. For the whole world, the company's sociality has not been paid enough attention, and the company law has not paid enough attention to the company's sociality. When the existence of the company exceeds the private interests, the existence of the company is not only the matter of shareholders, but also the basic life of the whole social group if the company is dissolved.

3. Advantages and Limitations of China's Corporate System

China's modern company system is a system transplanted from the West and adapted to the development of China's national conditions. This system is top-down, and it could also be said that China's modern company system is the joint product of politics and law. In the process of its establishment, it also learned from the experience of many countries and regions. After the completion of the socialist transformation and before the reform and opening up, there are two forms of organization of enterprises in China, one is comprehensive ownership, and the other is collective ownership. Since the reform and opening up, the introduction of foreign investment has gradually opened up and increased, changing the original situation. The Company Law was officially promulgated in 1993. With the deepening and development of the market economy, it was amended five times in 1999, 2004, 2005, 2013 and 2018. Among them, the revision in 2005 was more prominent, actively integrated with the world trend, and made significant innovative development in reducing the threshold of company establishment, strengthening corporate governance, and protecting the interests of small and medium-sized shareholders. In the continuous revision of the company, the national would plays an important leading role and also determines the basic framework of the company system. The impact of current business practices on the corporate legal system is increasing, but the national power is still a unique development in the current Chinese system.

3.1. Advantages of China's Corporate System

The advantages of China's company system are mainly reflected in the commonality of companies. China's company law is based on the socialist public ownership system and is led by the state. This unique economic foundation and development make China's company system have a breakthrough in the public. First of all, state-owned enterprises under the leadership of state capital have undertaken more private corporate social responsibilities, which is a kind of conceptual guidance that is not mandatory. For loss-making industries, the basic construction of national people's livelihood is mainly undertaken by the state [4]. However, state-owned enterprises developed under the leadership of China's national capital have performed well in this regard. China's company law also has corresponding provisions for the protection of company employees and their participation in company management, which largely implements the company's social responsibility. In this legislative

direction, it is also easier to promote the implementation of corporate social responsibility, and has gradually formed the advantages of China's corporate system.

Secondly, it is suggested to decentralize power under the general framework and become the unique development experience of Chinese companies. The Company Law promulgated in 1993 in China is relatively simple compared with that in western countries, but it is also a revolutionary event for China. Especially in respect of limited liability, China's company law directly stripped off limited liability, which greatly reduced the burden of liability of businessmen, and also produced a number of climaxes in the establishment of companies, laying a foundation for future economic development. Whether the company law is free or not needs to be measured in a specific time, region and environment. It is also a bold attempt for China to boldly introduce the company system without sufficient market environment and legal provisions.

3.2. Deficiency of China's Corporate System

China's corporate system is built under the guidance of national rights. Its limitation is that there is a certain separation between the corporate system and the actual business development, and the company will be affected and unable to effectively innovate and develop and the Company Law of China lags behind in the aspects of credit mechanism, capital system and equity structure. In the Company Law of recent years, institutional reform has also been increasing, but it still lacks the support of commercial practice. Secondly, China's corporate system will cause social risks and lack of prevention. In the process of establishing China's Company Law, it is necessary to pay attention to the importance of the company for reforming the economic system and developing the economy. However, due to the lack of commercial practice, the assessment of social risks that may arise from the Company Law is insufficient, and the risk prevention is insufficient and missing [5]. China's "Company Law" defines that limited liability company is a characteristic of a company, which is conducive to stimulating people's enthusiasm for establishing a company, and can improve economic development to a certain extent, but it also ignores the restrictive factors of limited liability company, and there is a risk of abuse with restrictions.

4. Measures to Reform the Supply-side Structure of China's Company Law

4.1. Adjust Legislative Content from Both Sides of System Supply and Demand

In the Fourteenth Five-Year Plan, it was emphasized that one of the main objectives of economic and social development during the Fourteenth Five-Year Plan period is to make the market subject more dynamic, and it is required to strengthen the main position of enterprises in innovation, promote the concentration of various innovative elements to enterprises, promote entrepreneurship, and accelerate the construction of world-class enterprises. According to the big data of national enterprises released by Skyeeye, more than 3 million enterprises were added in the first quarter of 2020, a significant decrease compared with the same period last year; At the same time, more than 400000 enterprises in China have been cancelled during this period, and the survival time of enterprises has decreased significantly.

In terms of the demand relationship, people can increase the way of field investigation, thematic discussion, social dialogue and survey system analysis, and fully tap the authenticity needs of corporate law users for the system, so as to better understand its development status. For legislators, it is necessary not only to clarify the personal needs of the audience, but also to solicit and clarify the needs of the majority of stakeholders. For the reasonable institutional needs of different users, it is also necessary to be as inclusive and balanced as possible to better promote its development. On the supply side, it is still necessary to accurately use modern information technology means such as big data, big analysis and artificial intelligence to effectively and accurately evaluate each rule in the

current Company Law, including the establishment, use, operation, transaction, investment, reception, guarantee and financial supervision of the company, and also to clarify the cost-effectiveness of the dissolution, liquidation and litigation of the company. For the company's operating costs, they are mainly the costs of legal risk control, dispute resolution, evasion of legal costs, administrative penalties and criminal liability prosecution. At the same time, it is also necessary to eliminate the severe forms faced by small and medium-sized shareholders and other stakeholders of the company in safeguarding their rights from the institutional root. In addition to reducing the costs borne by the company and its stakeholders at the micro level, it is also necessary to reduce the cost shrinkage caused by the capital market, consumer goods market and labor market at the medium level, and also need to consider the cost of public governance at the macro level.

4.2. Clarify the Validity Specifications in Mandatory Provisions

In the three-dimensional, hierarchical, precise and refined phenomenon of legal norms, it is also a sign of the progress of social development and civilization. Therefore, in order to better maintain the development of the company and build a harmonious and shared corporate legal order, it is necessary to enrich the company system and clarify the nature of different norms in order to better optimize its development. In the current Company Law, legal norms and judicial norms have a sense of boundary, the types of norms are relatively simple, and the statements in some provisions are also inaccurate. Therefore, legislators need to accurately configure arbitrary norms according to the actual situation, and effectively use advocacy norms, mandatory norms and prohibitive norms. In view of the judicial scope of the Company Law, if the mandatory provisions are relatively rigid, the legislator can change its tough degree, simultaneously activate market competition and information disclosure, and greatly expand the proportion of arbitrary norms, advocacy norms and protective norms, and moderately reduce the prohibitive norms.

4.3. Promote Balanced Corporate Governance Structure

In the modern society, the company is easy to become a tool of the capital market. In the ideal state, the company's personality is independent, but in the actual company operation, it is more the controlling shareholder of the company. Corporate governance can improve the competitiveness of enterprises, protect the rights and interests of shareholders, and better maintain the independent status of the company. The imbalance of corporate governance structure will cause the shareholders of the company to directly control the operation of the company by relying on the company's status, and the company's own subjectivity status is missing, which will become an economic benefit tool for shareholders to obtain the market. Therefore, it is also necessary to effectively improve corporate governance and correct the abnormal operation caused by production [6]. In order to achieve the development of this goal, it is also necessary to achieve the structural allocation balance in all aspects of corporate governance, set different governance rules for different types, and use the governance structure flexibly, so as to better reduce unnecessary institutional settings and better adapt to the development of competition. What the company needs to pay attention to is that it also needs to be supervised and restricted through the content of the articles of association. Only in this way can people give full play to the functions of corporate governance and the board of supervisors, and implement a differentiated approach.

4.4. Basic Rules of Building Innovation-oriented Company Law

Firstly, at the level of the company's capital system, expand the form of shareholder disposal, and recognize the importance of human and intelligence. For a long time, China's company law has strict restrictions on the form of capital contribution of the company [7]. Whether the company system can

protect the interests of creditors fundamentally depends on the company's personality, will and whether the property is truly independent, not on the shareholders' capital contribution and its form. China's current equity incentives and shareholder agreements that do not distribute profits according to the proportion of capital contributions are essentially an innovation of the rules of the form of capital contributions in the current Company Law, and also recognize the value of human and intellectual elements.

Secondly, at the level of distribution of corporate control, people should reform the rule of "one share, one right" and "capital majority decision". By gradually opening the control of special resolution structures such as AB shares, people should tilt to protect the entrepreneurial founder shareholders and family enterprises' control of the company, and let those who have intellectual advantages in corporate governance grasp the discourse of corporate governance [8]. Therefore, in the future reform of the Company Law, the types of companies with AB share ownership structure such as special voting rights can be expanded to include cultural media companies, family companies and other companies with special control protection needs. At the same time, AB equity structure such as special voting rights can be gradually extended to multi-level capital markets, especially the corporate governance of listed companies on the main board. In addition, it is also necessary to loosen the control of special resolution structures such as AB shares, which will lead to some impact on the equity protection rules established on the premise and basis of the rule of one share, one right and capital majority decision. Therefore, it is also necessary to follow up and reform the rules of minority shareholders' rights protection under the new rights framework of the same share with different rights.

4.5. Take Information Credit as the Core to Coordinate the Company's Credit Supervision System

From the macro strategic perspective of the transformation and upgrading of the national economy, an unavoidable task of the supply-side structural reform of China's corporate law is to improve and reconstruct China's corporate credit system. In the era of the Internet, with the deepening of the reform of release, management and service, corporate credit has become highly informationized, and corporate credit will also be presented in the form of information credit. On the practical level of commercial credit supervision, the State Administration of Market Supervision, the National Development and Reform Commission and the Banking and Insurance Regulatory Commission are also striving to build their own information credit supervision mechanism, which has gradually become the main focus of commercial supervision. In this regard, the Company Law needs to make general provisions on the supervision of corporate credit, so as to ensure the standardization and uniformity of the bottom line rules of corporate credit supervision. Secondly, it is necessary to clarify the rules of the effectiveness of corporate information to third parties, and clarify the effectiveness of corporate information of different types and in different carriers to third parties, which is not only related to transaction security and the interests of third parties, it could also encourage companies to publicize relevant information more actively to improve their credibility [9].

5. Comparative Analysis of Supply-side Reform Between China and South Korea

The Korean economy achieved an average annual growth rate of 8.8% between 1961 and 1996. In 1996, the per capita GDP reached 12249 US dollars, equivalent to 51% of the United States. It is known as the "miracle of the Han River". Around 1990, South Korea's economic slowdown was a turning point, and the growth rate of its economy and exports declined. However, the Korean government and enterprises did not realize the objectivity of the economic slowdown. Instead, they hoped to stimulate the economy to return to the track of high growth through monetary easing. The loose monetary policy has exacerbated the degree of overcapacity and significantly increased the

leverage ratio of enterprises. In 1996, the asset-liability ratio of the top 30 chaebols in South Korea soared to 80%. After the Southeast Asian financial crisis spread to South Korea in 1997, a large number of large and medium-sized enterprises went bankrupt, the non-performing assets of financial institutions increased sharply, the national economy was on the verge of collapse, and finally had to accept international assistance [10]. The structural problems such as overcapacity in traditional industries, forced leverage in finance, inefficient investment and unsustainable traditional growth model forced the Korean government to make up its mind to promote supply-side reform in 1998. The first is to establish the institutional framework of financial supervision, accelerate financial marketization and restore the normal function of enterprise financing. The second is to start the reform of labor market and increase social welfare expenditure. The third is to establish scientific and technological innovation and culture as the "foundation of the country", encourage enterprise innovation and increase investment in cultural infrastructure construction. After that, a number of international enterprises such as Samsung and Hyundai stood out. Although the Korean economy did not return to the high growth platform after 2000, and only achieved an average annual growth of about 5%, its economic performance and stability improved significantly. In 2008, South Korea's economy and stock market withstood the test of the financial crisis. At present, South Korea's market system, innovation ability, economic structure, financial market, etc. have shown the attitude of a mature developed economy, and have basically completed the transformation from miracle to maturity.

At present, the supply-side structural reform that China is striving to promote faces profound international and domestic background. Internationally, since the outbreak of the subprime crisis, the overall growth rate of the world economy has remained relatively weak, and the prospects for trade growth are difficult to be optimistic. The development trend of economic cycle differentiation and policy differentiation in various countries will continue, and the potential financial risks cannot be ignored. Domestically, the economic development has entered the "new normal", the economic growth has slowed down, and the problems of resources and environment have become increasingly prominent. It is urgent to change the mode of economic development and the core of China's supply-side reform is "three reductions, one reduction and one compensation", that is, to reduce production capacity, inventory, leverage, cost and make up for weaknesses. In addition, the core issue of "three reductions, one reduction and one compensation" is mainly deleveraging, that is, reducing liabilities. Enterprises with continuous losses and negative profits would continue to borrow money from banks, which will not be improved by "debt to equity". The existing deficit will only become larger and larger, and the risk of banks will also increase. And the supply-side structural reform, with the main task of "three reductions, one reduction and one compensation", is of great significance to stabilize China's current economic situation and promote the long-term development of the economy. What is more, it helps to prevent economic and financial risks, promote the coordinated development of the economy, and promote the further deepening of reform.

6. Conclusions

In view of the current application of China's company system, it is also necessary to clarify the advantages of the system in the local development, fully understand the reform of China's company law, deeply explore the successful experience of China's company system, and actively explore the problems in China's and the world's economic development, so as to better improve the reform ideas of China's Company Law.

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