

# Legal Promotion Mechanisms and Conflict of Laws Adjustment: The Interaction Between Investment Facilitation and Business Environment Optimization in Countries Along the “Belt and Road” Route

Xuanyu Mei

Faculty of Law, Tianjin University of Commerce, Tianjin, China

Keywords: Belt and Road Initiative, Business Environment, Investment Facilitation.

**Abstract:** Amid intensifying trade frictions, geopolitical tensions, and structural shifts in the global economy, the Belt and Road Initiative (BRI) has emerged as a critical framework for multilateral cooperation. Evolving international dynamics and investment policy uncertainties, exacerbated by recurring trade wars, have heightened challenges to global and domestic business environments. This study adopts a comparative and data-driven approach to explore the symbiotic relationship between investment facilitation and business environment optimization in BRI partner countries. Key findings reveal that enhancing judicial efficiency, strengthening legal frame-works, advancing digital trade rules, and establishing robust dispute resolution mechanisms significantly improve investment climates and commercial ecosystems. By prioritizing legal harmonization and institutional coordination, the BRI can mitigate risks, bolster cross-border collaboration, and catalyse post-pandemic economic recovery. The research provides actionable insights for aligning BRI implementation with evolving global governance needs, offering a pathway to resilient, rules-based international economic integration.

## 1 INTRODUCTION

On July 6, 2023, negotiations on the text of the Agreement on Investment Facilitation (AIF) reached a successful conclusion. Since the conclusion of the twentieth century, with the deepening of economic globalization, the trend of investment facilitation has become increasingly prominent. The international community promotes investment facilitation and optimizes the business environment. This is being achieved by emphasizing the use of international rules to reduce trade barriers. Additionally, there is an effort to integrate ESG (environmental, social, and governance) standards into evaluating the business environment. By 2023, over 5,000 organizations worldwide had endorsed PRIs, with assets under management reaching US\$120 trillion. For instance, the Norwegian Sovereign Wealth Fund has incorporated ESG ratings into its investment decisions and divested from over 50 coal companies, compelling them to enhance their governance structures. The Hainan Free Trade Port establishes a nexus between corporate ESG ratings and cross-

border investment and financing credits, enabling highly rated companies to access the international carbon trading market directly. In 2023, the Agreement on Investment Facilitation (AIF)'s international framework was established, focusing on issues such as transparency and the digitalization of processes. Concurrently, disputes over the definition of the obligation to stabilize the legal environment in international investment arbitration can result in divergent decisions on analogous facts. For instance, in the case of CMS v. Argentina (2005), the arbitral tribunal ruled that Argentina's emergency measures, including freezing utility rates, in response to the economic crisis, violated the FET obligation and necessitated compensation.

In contrast, in LG&E v. Argentina (2007), the tribunal upheld Argentina's invocation of the state of emergency defense, determining that the measures implemented during the crisis did not constitute a breach of contract. In light of the international context and the prevailing circumstances, the dynamic interplay between investment facilitation and business environment optimization in the countries

along the Belt and Road route has emerged as a pivotal research domain. This study area is paramount in fostering cooperation and attaining sustainable development. The dismantling of trade barriers and the promotion of resource allocation optimization have become inevitable choices for investment facilitation and business environment optimization.

## 2 LITERATURE REVIEW

Investment facilitation and business environment optimization issues have recently received increasing attention internationally. In response, international multilateral organizations have developed an active programmatic agenda to guide the process of promoting investment and business environment optimization. This report's literature review focuses on two closely related themes: the dynamic relationship between the business environment and FDI, and the factors influencing the construction of the Belt and Road investment.

### 2.1 The Belt and Road Investment and Construction Impact Factors

2008 the Asia-Pacific Economic Cooperation (APEC) released the Action on Investment Facilitation. This plan considers investment facilitation actions taken by governments to attract foreign investment and maximize the effectiveness and efficiency of their administration at all stages of the investment cycle (APEC,2009). Chinese scholars think investment facilitation is a multifaceted concept in the context of evolving economic and societal landscapes. Some scholars argue that this multifaceted nature encompasses not only the efficiency of procedures and processes that comprise the various phases of the international investment cycle, the international harmonization of applicable laws and regulations, and the openness and transparency of the investment environment. It also extends to the host country's endeavors in the domains of human capital, the efficiency of financial services, and infrastructure (Zhang,2016). In addition, other scholars have posited that the Belt and Road Initiative has the potential to foster the establishment of an institutional framework that incentivizes investment. This, in turn, can catalyze the enhancement of the regional business environment across various dimensions, including the political environment, tax environment, market environment, public service environment, innovation environment, and investment environment.

Furthermore, this initiative has been shown to exert a positive spatial spillover effect on neighboring regions (Ma & Zhao,2023). Concurrently, other scholars have proposed an alternative hypothesis positing that the fundamental driver of international trade is the discrepancy in commodity prices across nations, which is attributed to the variation in factor endowments. Instead of the aforementioned, it would be more judicious for a nation to concentrate on producing and exporting commodities that make intensive use of its abundant factors and import commodities that use its scarce factors (Ohlin & Harrod,1934). Therefore, it can be posited that investment facilitation and business environment optimization in countries along the Belt and Road form a dynamic and benign interactive relationship. According to the dynamic adaptation theory of "factor endowment-industrial structure-institutional environment" proposed by relevant scholars, the interaction between investment facilitation and business environment optimization exhibits a spiral upward trend (Lin et al.,2017).

### 2.2 The Dynamic Relationship Between the Business Environment and FDI

Recent academic research has led to a substantial advancement in comprehending the interplay between the business environment and foreign direct investment (FDI). Many studies have demonstrated that the relationship under scrutiny is multidimensional, encompassing direct and indirect effects across diverse economic systems. A related study analyzed the green business environment in Chinese cities and found that environmental sustainability enhances FDI quality by optimizing public services, financial markets, and ecological conditions, and that spillover effects are mainly concentrated in the eastern region (Li,2022). This is consistent with the findings of other scholars on the relationship between business environment, FDI quality, and economic growth in Eastern European countries, which emphasize that a better business environment attracts high-quality FDI, which in turn promotes economic growth (Olha, 2024). The case study of Kosovo underscores the notion that implementing legal and governance reforms is imperative for attracting foreign direct investment (FDI), even in economies that are abundant in natural resources.

Notwithstanding the advances made, research gaps still need to be addressed. Current research has rarely examined how digitization or global crises (e.g., Coronavirus Disease 2019) change the

interaction between the business environment and FDI. Future research should focus on these dimensions and clarify causal relationships through longitudinal analysis. Integrating big data and cross-country comparative studies can reveal more detailed mechanisms and help policymakers design effective FDI attraction strategies responsive to global economic changes.

### **3 COMPARISON AND DIAGNOSIS OF PROBLEMS IN LEGAL PROMOTION IN A GLOBAL PERSPECTIVE**

#### **3.1 Comparison of Problems in Legal Promotion from a Global Perspective**

In the context of global governance, law, as the core of national governance, plays a pivotal role in developing countries. Singapore, regarded as a paragon of the rule of law in Asia, exemplifies the symbiotic relationship between case law and administrative efficiency within a common law framework. This remarkable integration of legal principles offers a valuable reference point for the global rule of law.

Singapore's legal system is based on English common law, emphasizing judicial precedent and statutory intervention to deal with the complexity of cases. The jurisprudence of the Supreme Court of Singapore is nationally binding. At certain times in history, decisions of the Privy Council of the United Kingdom and the Federal Supreme Court of Malaysia have also influenced Singapore's courts. Singapore's judiciary is judicially independent, with judges deciding cases independently and without executive interference, ensuring consistency in applying the law. At the same time, judges rely not only on domestic precedents but also on the jurisprudence of other countries in deciding cases. This open model of legal borrowing and judicial supremacy has enabled Singapore's jurisprudence to continuously assimilate advanced international theoretical and practical experience, strengthen judicial credibility, and maintain the flexibility and adaptability of the law in complex modern cases.

Singapore's administrative efficiency is not only a product of judicial rigor but also of institutional design.<sup>2023</sup> An International Guide to Patent Case Management for Judges, published by WIPO, quantifies this relationship, with the average

commercial dispute resolution time in Singapore at six months, 67% faster than the global median. In terms of contract enforcement, the Doing Business-Enforcing Contrast published by the World Bank shows that by streamlining the litigation process, Singapore's average contract dispute resolution time is only 150 days (global average 580 days), with enforcement costs amounting to 15% of the claim amount (global average 31%). This should be directly attributed to the Singapore judicial system through the regular release of the jurisprudence impact assessment report, based on the guidance of the administrative efficiency has been dramatically improved, the report realizes the quantitative analysis of the adjudication rules of the administrative efficiency of the marginal effect of the legal economics thinking into the design of the system. In cross-border commercial dispute resolution, courts have adopted pre-trial conference procedures and diversified alternative mechanisms to shorten the case processing cycle by 60%. This efficiency-oriented judicial trend directly underpins Singapore's core leadership as an international arbitration center.

The positive interaction between Singapore's jurisprudence and the efficiency of administrative coordination provides a valuable reference for the global construction of the rule of law. From a global perspective, countries should actively learn from Singapore's experience, strengthen the construction and improvement of their legal systems, enhance the efficiency of administrative coordination, and promote the state's development and society's progress through the law.

#### **3.2 Diagnosis of Legal Problems in Interactive Relationships**

Regulatory fragmentation and lack of stability pose significant institutional challenges to global investment flows, particularly in emerging markets. Douglass North's institutional theory suggests a stable property rights regime is the basis for long-term investment (North, 1990).

According to the World Bank's Global Investment Competitiveness Report 2020, 67 percent of multinational companies cite regulatory inconsistency as a key barrier to cross-border investment, with Southeast Asian and African economies most affected.

Indonesia's nickel industry is a classic example: in 2014, Indonesia banned local nickel exports, but the central government's policy has been repeatedly adjusted to suddenly ban nickel exports in 2020, creating supply chain disruption risks for companies

such as China's Qingshan Group. According to Indonesia's Investment Coordinating Board (BKPM), FDI volatility in the mining sector will exceed 40% in 2015-2020.

Lack of legal stability is often seen as a sign of inadequate governance capacity, which can easily lead to a lack of confidence in the country by foreign investors, resulting in massive divestment and undermining the international long-term investment ecosystem. The fundamental reason for the fragmentation and lack of stability of Indonesian laws and regulations lies in the conflict between local and central governments, which rely on tax revenues from coal mining but cannot legislate, making laws and regulations changeable and focusing too much on short-term interests at the expense of the effectiveness of long-term investment.

Empirical studies have shown that environments with low rule credibility, such as unclear laws, frequent policy changes, and high levels of corruption, can lead to lower investment rates, with investment growth increasing by about 0.7-1.2 percentage points for every standard deviation increase in investment growth (Brunetti & Weder, 1998). This pattern is supported by data from Indonesia, where the government effectiveness score (48.4/100) is negatively correlated with the volatility of mining FDI (42%) (World Bank, 2022). North's theory reveals the root cause of the system - the lack of "adaptive efficiency" leading to fragmentation. Indonesia's decentralized legislation reflects institutional stickiness, while Singapore's regulatory quality score of 92.1 is one of the highest in the world, as it reconciles conflicts through the Law Harmonization Commission. This is consistent with North's emphasis on "credible commitment" (World Bank, 2022).

The World Bank has advocated for impact assessments to mitigate similar barriers to prevent fragmentation. Indonesia's Integrated Employment Law 2020 eliminated 78 conflicting regulations and reduced approval time by 40 percent, demonstrating the feasibility of institutional coordination (Database Peraturan, 2020). Emerging economies and developing countries should take a long-term view of the global investment environment, open up to the public from the legislative stage, listen to the advice of relevant industry professionals, improve their legislative capacity, and incorporate North's theory of adaptive efficiency into sustainable development.

## 4 POLICY DESIGN FOR LAYERED GOVERNANCE

### 4.1 International: The Struggle for Rules Discourse in Digital Trade Agreements

In international digital trade agreements, there is an escalating competition for establishing rules concerning investment facilitation and optimizing business environments. In the contemporary geopolitical landscape, nations are engaged in a dynamic competition to influence the formulation of rules that align with their respective economic interests and developmental agendas. Developed economies, characterized by technological advantages and mature market systems, vigorously promote rules favoring their digital enterprises. The objective of these measures is twofold: to expand market access and to secure advantages in data flow. Conversely, through platforms such as the Regional Comprehensive Economic Partnership (RCEP) negotiations, emerging economies have endeavored to incorporate rules that enhance digital infrastructure connectivity and regulatory transparency. By actively formulating regulations, nations can safeguard digital sovereignty while fostering a more inclusive and equitable global digital trade ecosystem, facilitating sustainable economic development.

### 4.2 National: Promoting Contractual Dispute Settlement to Reduce Domain Joint Cooperative Interaction Mechanisms

In the context of globalization, a core challenge for improving national governance systems is reducing cross-regional transaction costs and facilitating the introduction of foreign investment through institutional innovation, while activating the administrative effectiveness of local governments. Consequently, countries must establish a localized regional joint policy framework for cost reduction, complemented by a contractual dispute settlement mechanism. The novel mechanism is composed of two primary components. The initial component is the reduction of transaction costs, whereas the secondary component is enhancing regional cooperation (Ma & Zhao, 2023).

#### 4.2.1 Reduction of Transaction Costs

The promotion of contractual dispute resolution, cost reduction, and coordination mechanisms is predicated on the objective of reducing transaction costs. According to prominent scholars in the field, transaction costs play a pivotal role in the efficiency of contract enforcement. These costs can be substantially mitigated through optimizing contract design and the dispute resolution mechanism (Williamson, 2007).

In particular, a contractual dispute resolution mechanism should prioritize formulating explicit and transparent terms to mitigate transaction costs from information asymmetry and uncertainty. Standardized contractual templates and efficient dispute-resolution procedures have been demonstrated to increase the efficiency of cooperation and reduce the costs of negotiation and supervision. The contemporary utilization of artificial intelligence (AI) in dispute prediction and evidence analysis can potentially reduce the cost of legal counsel by 30-50 percent (Institute of World Economics and Politics, Chinese Academy of Social Sciences, 2023). To illustrate, natural language processing (NLP) technology can expeditiously identify contractual loopholes and potential risk points, furnishing contracting parties with real-time early warning. Furthermore, the Guangzhou Arbitration Commission's Online Dispute Resolution (ODR) platform has been shown to enhance the efficacy of dispute mediation for SMEs by approximately 40% compared to conventional methods that rely on non-contact negotiation and automated adjudication. This platform is especially well-suited for low- and medium-value commercial disputes within the context of countries along the Belt and Road initiative (United Nations, 2024).

#### 4.2.2 Enabling Regional Cooperation

The core of a contractual mechanism is to reduce the transaction costs of cross-domain collaboration through institutionalized rule design while enhancing the stability of collaborative governance. Research has demonstrated that combining information transparency and monitoring incentives is fundamental to the mechanism's efficacy. For instance, an empirical study based on the fiscal reform of China's provincial directly managed counties found that increased information transparency significantly strengthened the ability of higher-level governments to supervise lower-level governments. The study also found that increased information transparency prompted county-level

governments to adopt more proactive fiscal policies and reduce frictions and disputes in policy implementation (Jia et al., 2023). This conclusion can be extended to transnational regional cooperation scenarios. By building a unified information-sharing platform (e.g., a cross-border data exchange system), policy differences and implementation deviations among member States can be monitored in real-time, thus reducing the probability of disputes. Further, institutional stability and balance of power and responsibility are key to the regional cooperative effect. Local governments have an economic stabilization effect on fiscal spending due to local information advantages, but vertical fiscal imbalances can weaken this effect. This observation indicates the necessity for regional cooperation mechanisms to balance central coordination and local autonomy. This balance is critical in avoiding the potential pitfalls of institutional rigidity, which can result from excessive centralization and the fragmentation of rules due to decentralization. For instance, the dispute settlement chapter (Chapter 19) of the Regional Comprehensive Economic Partnership Agreement (RCEP) ensures the territorial integrity of member states through explicit consultation procedures, third-party participation guidelines, and a multilateral notification system. Additionally, it enhances the predictability of rulings through a transparent process, thereby reducing implementation costs.

## 5 CONCLUSION

This study employs a dual approach of data analysis and case study to examine the legal promotion of countries along the "Belt and Road" initiative from a global perspective. The analysis concludes that the international community must encourage countries to continuously promote judicial innovation, cultivate an efficiency-led judicial environment suitable for the local community, enhance the efficacy of the governance system, and strengthen the unity of governmental power at all levels. This is imperative to prevent the consequences of legal fragmentation.

Furthermore, the study emphasizes the importance of integrating the principle of adaptive efficiency into the process of national sustainable development, emphasizing the need for governments to unify their powers to achieve this objective. The policy design of layered governance is further delineated in terms of competing for the right to designate the international community's rules by leveraging technological advantages or means such as

negotiation, reducing transaction costs, and strengthening regional cooperation through institutional design. It is incumbent upon the international community to direct its attention to the linkage and promote the theory of dynamic adaptation of "factor endowment-industrial structure-institutional environment" into a practical path.

and Investment Gravity Model. International Trade Issues (9): 165-176.

## REFERENCES

- APEC-Asia-Pacific Economic Cooperation. 2009. Investment Facilitation Action Plan. [https://www.apec.org/docs/default-source/Press/Features/2009/09\\_cti\\_ieg\\_IFAP](https://www.apec.org/docs/default-source/Press/Features/2009/09_cti_ieg_IFAP).
- Database Peraturan. 2020. Undang-undang (UU) Nomor 11 Tahun 2020-Cipta Kerja. <https://peraturan.bpk.go.id/Details/149750/uu-no-11-tahun-2020>
- Institute of World Economics and Politics, Chinese Academy of Social Science. 2023. The New Trend of Global Digital Trade Rule Making and China's Strategic Choice. [http://ejournaliwep.cssn.cn/qkjj/gjjjpl/gjjjpl234/202308/t20230810\\_5678275.shtml](http://ejournaliwep.cssn.cn/qkjj/gjjjpl/gjjjpl234/202308/t20230810_5678275.shtml)
- Jia, J. et al. 2023. Information transparency, monitoring, and incentives under decentralization: Evidence from China's fiscal reform of "province managing county". Journal of Regional Science 63(2): 263-289.
- Li, X. 2022. Study on the Driving Mechanism of Urban Green Business Environment on the Quality of FDI. Shanxi Normal University.
- Lin, Y. et al. 2017. The Miracle of China: Development Strategy and Economic Reform (Revised Edition). Life of Qinghai Party (8): 59.
- Ma, Z. & Zhao, Y. 2023. Does the Belt and Road Initiative Optimize the Regional Business Environment: An Empirical Study Based on the Data of Cities at Prefecture Level and Above from 2007 to 2019. Journal of Beijing Technology and Business University (Social Science Edition) 38(6): 102-113.
- Olha, Z. 2024. A Study on the Business Environment, FDI Quality, and Economic Growth in Eastern Europe. Open Journal of Business and Management 12(2): 1158-1189.
- United Nations. 2024. Human Development Report 2023-2024. <https://hdr.undp.org/content/human-development-report-2023-24>.
- Williamson, O.E. 2007. The Economic Institutions of Capitalism: Firms, Markets, Relational Contracting. In Gabler eBooks 61-75.
- World Bank. 2022. Finance for an Equitable Recovery. <https://www.worldbank.org/en/publication/wdr2022>
- World Bank. 2022. Worldwide Governance Indicators. <http://www.govindicators.org>
- Zhang, Y. 2016. "Belt and Road" Investment Facilitation and China's Choice of Foreign Direct Investment: An Empirical Study Based on Transnational Panel Data