

China 2010



Total: 37.14

Quick facts

Population:	1330 million
Population growth:	0.94 %
Unemployment rate:	4.3 %
GDP:	9850 billion \$
GDP growth rate:	10.1 %
GDP per capita:	7400 \$

Political Freedom

Free and Fair Elections : 0.36

Direct elections are held only on district and municipal levels. There are no general elections on the national level. Instead, the national legislative body (the National People's Congress; NCP) is elected by the sub-national congresses. By and large, the NCP is a symbolic body that serves to approve legislation proposed by the Chinese Communist Party (CCP). Elections on local levels lack significance as candidates are usually pre-selected and approved by the CCP. There have been only a few cases where self-nominated candidates have been elected. To deal with increasing public discontent over corruption, party secretaries were put to public vote in some areas. This suggests a marginal opening of the electoral process on local levels in some districts. Despite this, China cannot be classified an electoral democracy.

Absence of Unconstitutional Veto Players : 0.83

Even though the NCP is formally the highest legislative body of the People's Republic of China, the political process remains largely dominated by the CCP. All important officials have been promoted or appointed to their positions by senior party members. All power is concentrated in the hands of the CCP – there is no force to challenge it. Factual power therefore does not lie with the elected legislative body but with the CCP. Even if the elections themselves are nothing but a farce, they are rendered even more meaningless by this practice. So the CCP is not only the sole but also a very powerful veto player in the Chinese political system. The low score China

achieves in this section reflects this.

Freedom of Press : 1.6

Even though constitutionally granted, the freedom of press and expression is tightly restricted. Severe pressure from government officials means that journalists either have to stick to the official view or risk getting fired or even imprisoned. But the increasing spread of modern technologies such as mobile phones and the internet has made it easier for the people to express their views and raise public awareness on sensitive subjects. The government in turn has quickly adjusted to this new challenge and developed various ways of controlling all means of electronic communication. Overall, the media in China remains heavily censored and under strict control of the government.

Rule of Law

Independence of the Judiciary : 4.91

Courts in China are still not politically independent. But the situation has improved over the last years. In some instances, cases filed against the government were even decided in favour of the plaintiff. Interference by the CCP has lessened but is still not completely absent. China's judicial branch remains overall comparatively weak as it suffers from poorly trained judges and attorneys. Another severe flaw is corruption which is rather widespread in the judicial branch – judges therefore often tend not to be as impartial as they should be. Nevertheless, some significant improvements over the past years have been made which explains why China achieved an average score.

Corruption : 3.6

There are laws that target corruption but they remain fairly ineffective. One of the reasons for the poor implementation of these laws is that cases relating to corruption are often not tried by the judicial branch but instead by CCP disciplinary organs. Consequently, high-ranking officials are often not brought to justice. Only few cases are made public and serve as show trials to demonstrate the CCP's determination to fight corruption. Things are somewhat different on local levels: Party officials at least sometimes face official trials and are subsequently punished. Especially economic sectors with a high degree of state involvement are prone to corrupt practices and China still does not have an independent anti-corruption agency.

Protection of Human Rights : 1.95

China is party to the UN's International Covenant on Civil and Political Rights as well as to the Covenant on Economic, Social and Cultural Rights. But the former has not yet been ratified. Moreover, the PRC also declared its acceptance of the Universal Declaration of Human Rights. Despite these supposedly positive facts, China does not respect human rights. For one, there is still the death penalty: No less than 65 crimes are charged with the death penalty – including some non-violent offences. The number of executions in 2009 was estimated to be around 5,000. Furthermore, there are numerous reports of unlawful and arbitrary detention, torture, forced

relocations and discrimination against ethnic or religious minorities. The government systematically campaigns against human rights activists and lawyers in an effort to publicly discredit them.

Economic Freedom

Security of Property Rights : 6.38

In October 2007, China's first private property laws came into force. Individuals and companies can own structures and personal property. The ultimate owner of land is the state which means that land tenure can only be obtained via long-term leases. However, property protection is weak. Corrupt local officials often (and with impunity) illegally seize land. Estimates put the number of affected peasants at about 40 million. Intellectual property is not properly enforced. Copyrights and patents, brand names, trademarks, and trade secrets are frequently stolen. A weak judicial system results in affected companies often resorting to arbitration.

Size of Government: Expenditures, Taxes, and Enterprises : 4.51

China's government expenditures (which include consumption and transfer payments) are rather low. Government spending reaches about 20 percent of the GDP. State ownership prevails in most economic sectors. China has a high income tax rate of 45 percent. But the corporate tax rate of 25 percent is moderate. Other taxes include a value added tax (VAT) and a real estate tax. The overall tax revenue amounts to 18 percent of the GDP.

Regulation of Credit, Labour, and Business : 5.62

Starting a business takes 38 days which is about world average. But the freedom to establish and run a business is hindered by China's regulatory environment and the fact that there is no legal and regulatory openness. Labour regulations prove to be an obstacle to overall employment and productivity growth. The non-salary cost of employees is high, dismissing a worker often requires prior consultation with the responsible labour bureau or union. China's financial system is largely controlled by the government. There are only two private banks, four state-owned institutions control over 50 percent of assets. The state determines the allocation of credit which results in state-owned enterprises being the primary benefactors.

Freedom to Trade Internationally : 7.38

China's entry into the WTO has freed international trade. The level of government interventions and import barriers have decreased and average tariff rates lowered to less than ten percent. Furthermore, China has entered in bilateral and regional free trade agreements (FTAs), for example the ASEAN-China FTA which created the world's largest trading bloc of nearly two billion people. But export barriers are still an obstacle. Furthermore, some restrictions such as prohibitions and licensing requirements are still in effect. Import/export bans, complicated regulations and standards, and a corrupt customs administration add to the cost of international trade.