

# China 2013



Total: 37.46

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## Quick facts

Population:	1349 million
Population growth:	0.46 %
Unemployment rate:	6.5 %
GDP:	12610 billion \$
GDP growth rate:	7.8 %
GDP per capita:	9300 \$

## Political Freedom

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### Free and Fair Elections : 0.36

There are no direct national elections in the People's Republic of China. Only district and municipal bodies are directly elected but these elections lack significance as candidates are usually pre selected and approved by the Communist Party. The Communist Party is the only legal party and shapes all policies and strategies through its Politburo Standing Committee (PSC). The official legislative body is the 3,000-member National People's Congress (NPC), which more or less serves as a symbolic body and only convenes once a year to confirm decisions made by the PSC. The NPC is elected by sub-national congresses.

National leaders are officially chosen by the national party congress, but personnel decisions are made beforehand through an obscure internal process. The latest party congress in 2012 saw the PSC shrink from nine to seven members, with a majority of conservative figures being appointed. The committee is headed by Xi Jinping, who also succeeded Hu Jintao as president in 2013. Li Keqiang was appointed Xi's deputy and became prime minister in 2013, following Wen Jiabao. Analysts conclude that former Chairman of the Communist Party Jiang Zemin exerted considerable influence in the selection of the new PSC, with five of the seven members being his allies or protégés. This suggests that patronage networks play an increasingly important role within the CCP leading circles. A number of leading party members have expressed unease about this issue.

The usually well orchestrated political transition process was marred by one of China's biggest political scandals in recent years, as a subordinate of Politburo member Bo Xilai fled to the US embassy and stated allegations against the former and his wife, Gu Kailai. The following political turmoil led to Bo's expulsion from the CPC and the conviction of his wife for the murder of British Businessman Neil Heywood. Bo Xilai was subsequently sentenced to life in prison on corruption charges in 2013. The new leadership has pledged to intensify its efforts against corruption, which remains rampant. The increased discontent over corrupt party officials has led to the marginal opening of the electoral process. In some districts party secretaries have been put to public vote to meet criticism. However, despite these small steps China is still far from fulfilling the minimum standards of an electoral democracy.

## **Absence of Unconstitutional Veto Players : 1.67**

Although all political decisions are formally made by the highest legislative body, the NPC, the actual political process and the judiciary are dominated by the Communist Party, in particular its seven-member Politburo. Due to the forced absence of opposition parties and the NPC's lack of decision making power, the CPC de facto has to be considered a veto player without constitutional mandate.

## **Freedom of Press : 1.7**

China still remains one of the most repressive environments for journalists and online activists. China's prowess in restricting freedom of speech is all but unrivalled. Restrictions introduced during the Arab Spring (the sudden toppling of autocratic regimes across the Arab world made the Chinese leadership somewhat queasy), were complemented by further constraints ahead of the leadership change in 2012. This was intensified after the scandal around former Politburo member Bo Xilai became public. Conditions in the autonomous regions Tibet and Xinjiang have also deteriorated during the last year.

Although the constitution provides for freedom of the press and expression, these constitutional provisions cannot be invoked in court to claim individual rights. There is no press law that protects journalists. Intimidation, arbitrary detentions, and physical attacks by authorities and paid thugs are common (although the number of incidents has decreased since 2011). The party directly controls media coverage through its Central Propaganda Department (CPD). Vaguely formulated laws and provisions are used to silence critical voices, and self-censorship is the general norm. Through the CPD the Communist Party also effectively uses the media to disseminate favorable news or coverage of new directives.

Print, radio, TV and online media coverage are heavily censored, especially regarding topics such as: greater autonomy in Tibet and Xinjiang; relations with Taiwan; the Falun Gong movement; writings of prominent dissidents; and, unfavourable coverage of party officials. Additionally, website administrators and media editors are encouraged to steer clear of some sensitive topics such as the escape from house arrest of blind political activist Chen Guangcheng or speculations regarding former Prime Minister Wen Jiabao's wealth.

# Rule of Law

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## Independence of the Judiciary : 4.79

Despite growing legal awareness among citizens, the Chinese government's open rejection of genuine judicial independence undermines legal reform and efforts to limit the CPC's control over the courts. Interference by the CPC may have lessened, but its influence still looms over verdicts and sentences, particularly in politically sensitive cases, and the judicial institutions and mechanism remain weak. Judicial corruption, largely due to scant remuneration of judges and lack of court funding, is another serious problem that leaves a negative impact on China's judicial independence and its legal system as a whole.

## Corruption : 3.9

Corruption in China remains rampant, but there have been some signs from the Communist Party that a more concerted approach to combating corruption is on the horizon. In many ways the topic of corruption mimics the paradox of modern China; it recognises that corruption is a major problem and needs to be eradicated, but also wants to maintain centralised control and a single party system without too many checks and balances. Whistleblowers of political corruption are beginning to be championed by the state run media, despite the politicians invariably being Communist Party members.

As corruption still has an incredibly negative effect on the Party's legitimacy, Xi Jinping has attempted to make examples out of some officials. Liu Tienan, a medium ranking party member and energy official, was stripped of his job after a journalist posted on his Weibo account that Liu has defrauded banks out of US\$200m. This precedent has created space for more accusations, however the great unknown is at what level of the party immunity apparatus begins in a system where impunity belongs to high ranking officials. International webpages making allegations of corruption by Xi Jinping and his predecessor Wen Jaibao have been blocked in China.

## Protection of Human Rights : 1.81

Chinese socio-economic development and modernization has not correlated with a rise in human rights conditions. China's poor record on human rights may even be worse than it seems. Without the category of child soldiers, which is admirably rare in China, the overall human rights level would fall well below 0.8. The death penalty still exists and more people are executed in China than any other country. However, total crimes that incur capital punishment have been reduced and the Supreme Court has stressed more restraint in relation to the penalty. Chinese policies towards Tibet, Inner Mongolia and Xinjiang remain extremely repressive. According to Maple Croft Human Rights Risk Atlas 2013 China's minority rights, freedom of opinion and expression and arbitrary arrest and detention are among the worst in Asia.

A sadly familiar story illuminating the systematic disregard for human rights is the Chinese government's treatment of blind dissident Chen Guangcheng. A civil rights activist, Guangcheng was jailed for over four years for "organising a mob to disturb traffic". After completing his entire sentence he was then placed under house arrest, routinely beaten and

intimidated, only to escape and flee to the United States. Now it is his remaining family who are routinely targeted. His nephew is now in jail for "intentional injury" of hired thugs that broke into his house and assaulted his parents. Local prosecutors have also threatened Guangcheng's brother and sister-in-law with criminal charges. Guangcheng's case is an example of the disregard the Chinese authorities continue to display in relation to human rights.

## Economic Freedom

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### **Security of Property Rights : 6.04**

Individuals and companies can own personal property, but the all land is ultimately owned by the state which offers transferable long-term leases. Property protection is weak; corrupt local officials often, and with impunity, illegally seize land.

Intellectual property protection is not duly enforced. Violations of copyrights and patents, brand names, trademarks and trade secrets are rampant. The weakness of the judicial system often forces affected companies to seek arbitration.

### **Size of Government: Expenditures, Taxes, and Enterprises : 4.49**

China's government expenditures (which include consumption and transfer payments) are still rather low. Government spending has slightly risen to 23.6% of GDP, up from 23%. State ownership prevails in most economic sectors.

China has a high income tax rate of 45% and a moderate corporate tax rate of 25%. Other taxes include value added tax and real estate tax. The overall tax revenue amounts to 18.2% of GDP.

### **Regulation of Credit, Labour, and Business : 6.11**

Starting a business takes 33 days and 13 procedures (according to most recent World Bank data). Until the end of 2014 micro and small companies are exempted from paying some administrative fees, which makes starting a business less expensive. But the freedom to establish and run a business is still hindered by a number of arbitrary and complicated regulations.

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.

Four government-run banks control over 50% of assets. The state determines the allocation of credit, a result of which is that state-owned enterprises are the primary beneficiaries. However, the government has recently taken some steps to improve the banking system. The listing of the big state-owned banks on the stock exchanges has brought in fresh funds and led to increased transparency. Foreign banks can now operate more or less freely in China, although the scale of their operations remains limited.

## **Freedom to Trade Internationally : 6.59**

China's entry into the World Trade Organisation has liberalised its international trade. The level of government interventions and import barriers has decreased and average tariff rates have been lowered to less than 10%. China has entered several bilateral and regional FTAs. But import and export bans on certain goods, complicated regulations and standards and a corrupt customs administration add to the cost of international trade.