

China 2014



Total: 38.33

Quick facts

Population:	1356 million
Population growth:	0.44 %
Unemployment rate:	4.1 %
GDP:	13390 billion \$
GDP growth rate:	7.7 %
GDP per capita:	9800 \$

Political Freedom

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 of China (CPC). The CPC is the ruling party in a one-party dictatorship system 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 for several days to confirm decisions made by the Standing Committee. 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.

In March 2013, Xi Jinping replaced Hu Jintao as China's new president after he was made official leader of the CPC in November 2012. Also the presidential election is widely ceremonial and the NPC members merely endorse the suggested candidates. With 99.86% of the votes, Xi was appointed President of the People's Republic of China and Chairman of the People's Liberation Army. After month of power consolidation, he is considered the most mighty Chinese leader since Deng Xiaoping. He has promised to embark on political and economic reforms and to tackle widespread corruption. Though until now, little progress has been seen of the widely urged

restructuring of the economy.

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 : 1.6

With regard to press freedom, China regularly scores among the lowest across the entire Asian region. The government holds a tight grip on all media including the internet. Following the 2014 presidential election, the two main agencies that regulate and censor media were merged. The new General Administration of Press, Publication, Radio, Film and Television is in charge of guidelines and policies for reporting and broadcasting. All media agencies need to obtain a license from the government which is only issued to those that prove to be in line with the CPC ideology. This in turn means that the media are merely a tool of party propaganda. Government-critical reporting is not only subject to massive censorship but can result in severe punishment. In 2014, several internet bloggers were detained based on grounds of defamation after they exposed corrupt practices by government officials on the internet platform Weibo, a popular Chinese social media platform.

Also several members of the New Citizens Movement, a group of grassroots activists that call for more government transparency were detained based on grounds of stirring public unrest. Foreign journalists have to obtain a special visa from the Chinese government. Visa applications of several New York Times correspondents were repeatedly refused following a 2012 report on the wealth of former premier Wen Jiabao and his family. The New York Times among several other major foreign news and networking platforms including Facebook, Twitter and YouTube are inaccessible from within China. But despite facing heavy regulations, the internet allows exchange of critical opinion to at least some extent in a technological arms race of Chinese netizens, trying to develop new tools, and Chinese government, aiming to control all online platforms and communication channels.

Rule of Law

Independence of the Judiciary : 5.01

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. Announcement after the last plenary session, to make courts more independent from their respective layers of administration indicate the will to reform. However, chances are, they might be more used for central oversight than be truly independent.

Corruption : 4

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 positioned the fight against corruption as a top priority of his presidency. Dozens of business men and high-ranking party members have been charged with corruption during 2014. The latest case involves Zhou Yongkang, a former member of the Politburo Standing Committee, and his associates. Zhou was expelled from the Communist Party on December 5th for a "serious disciplinary violation" (this term usually refers to corruption) after a months-long investigation during which assets amounting to \$14bn were seized by the Chinese authorities. Zhou's expulsion likely paves the way for court proceedings. By going after a former member of the Standing Committee, Xi has violated the unwritten code of impunity for the party's top leaders. Some pundits interpret this as a sign for Xi's commitment in taking on corruption on all levels; others see him merely further consolidating his power.

Protection of Human Rights : 1.77

Chinese socio-economic development and modernisation has not correlated with a rise in human rights conditions. China's poor record on human rights may even be worse than it seems. The death penalty still exists and more people are executed in China than any other country. The Chinese government doesn't publish exact numbers but according to some estimates more than 3,000 persons were executed in 2013. Chinese policies towards Tibet, Inner Mongolia and Xinjiang remain extremely repressive. The Announcement to stop selling the organs of executed convicts does not indicate a major change in the general application of the death sentence.

Economic Freedom

Security of Property Rights : 6

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 : 5

China's government expenditures (which include consumption and transfer payments) are still rather low. Government spending has slightly risen to 24% of GDP, up from 23.6%. 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 19% of GDP.

Announcements seem to indicate the Xi administration has no intention dissolving the large SOEs in favour of private business.

Regulation of Credit, Labour, and Business : 6.26

Starting a business takes 33 days and 13 procedures (according to the 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. China's credit information system was recently improved with the introduction of credit information industry regulations. These guarantee borrowers rights to review their data.

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.

The state determines the allocation of credit, a result of which is that state-owned enterprises are the primary beneficiaries. However, during the past few years the government has 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 still remains limited.

Freedom to Trade Internationally : 6.66

China's entry into the World Trade Organization has liberalised its international trade. The level of government interventions and import barriers has decreased and average tariff rates have been lowered to about 4%. 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. In addition, foreign companies are unlikely to file cases on violations of WTO regulations due to fear of following government retaliation.