

# China 2012



Total: 37.49

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## Quick facts

Population:	1343 million
Population growth:	0.48 %
Unemployment rate:	13.4 %
GDP:	11440 billion \$
GDP growth rate:	9.2 %
GDP per capita:	8500 \$

## Political Freedom

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### Free and Fair Elections : 0.36

In the People's Republic of China (PRC), there are no direct national elections. Direct elections are held only at district and municipal levels. The national legislative body, the National People's Congress (NPC), is elected by the sub-national congresses. By and large, the NPC is a symbolic body that serves to approve legislation proposed by the Communist Party of China (CPC). Elections at local levels lack significance as candidates are usually pre-selected and approved by the CPC. Only a few self-nominated candidates have so far been elected.

National leaders are officially chosen during the national party congress held every five years, but decisions are usually made beforehand and behind closed doors. The 18th National Congress of the Communist Party of China was held on November 8th 2012. It was announced that President Hu Jintao and Premier Wen Jiabao, leading Politburo members, will step down from their posts and be succeeded by Xi Jinping and Li Keqiang, respectively. Furthermore, the number of Politburo Standing Committee (PSC) seats was reduced from nine to seven. Former Chairman of the Communist Party Jiang Zemin exerted considerable influence in shaping the composition of the new PSC, even though he does not hold an official position anymore. Analysts say that five of the seven PSC members are either allies or protégés of the octogenarian former chairman, suggesting that family connections and patronage networks play an increasingly important role in the appointment process to the PSC. A number of leading party members has expressed unease with this development.

During the past decade, marginal opening of the electoral process at local levels and in some districts has been observed as party secretaries were put to public vote in response to an increasing public discontent over corruption. Despite these developments, China is far from fulfilling the minimal requirements of an electoral democracy.

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

Although the NPC is formally the highest legislative body in China, the political process remains largely dominated by the CPC, particularly by the seven-member Politburo.

There is no challenge to the Chinese state's monopoly on the use of force, with the exception of the autonomous regions of Tibet and Xinjiang, where secessionist activities challenge the CPC's notion of one China. The military is under civilian control and since all power is concentrated in the hands of the CPC, there is no force to challenge it. Factual power, therefore, does not lie with the elected legislative body, but with the CPC which is also in complete control of the judiciary. As a result, the CPC is not only the sole political player, but is also a very powerful veto player acting without a constitutional mandate in the Chinese political system. This is reflected in the low score China achieves in this section.

## **Freedom of Press : 1.5**

Even though the Chinese constitution provides for the right to free speech, freedom of the press is heavily restricted. The government regularly adopts repressive measures including coercion, torture, abduction and imprisonment to keep control of everything that is printed, broadcasted or published online. Journalists are frequently threatened. Especially since what has been referred to as the "Arab Awakening," with some in China aspiring a "Jasmine Revolution" in the Tunisian image, authorities have been vigorously enforcing control over online and social media. Bloggers, online activists and dissidents have been under tremendous pressure with their and their families' lives at stake. Some of the more prominent recent human rights activists cracked down on by Chinese authorities include regime critic Ai Weiwei, Nobel Peace Prize laureate Liu Xiaobo and human rights activist and lawyer Chen Guangcheng.

# Rule of Law

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## **Independence of the Judiciary : 4.89**

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 negative impact on China's judicial independence and its legal system as a whole.

## **Corruption : 3.6**

Corruption is endemic in China, with sectors that are heavily regulated by the state, such as banking, finance and construction, most susceptible to the problem. The Chinese government acknowledges that corruption poses a serious threat to political stability and economic growth and has launched a number of anti-corruption efforts targeted at both the public and private sectors. For instance, in 2011, it criminalised bribery of officials of foreign governments and international public organisations, in line with the United Nations Convention Against Corruption. Its domestic anti-bribery provisions and enforcement activities have also recently been broadened in scope. Initiatives such as these have led to the exposure of some major corrupt business deals, and are hoped to help prevent potential corruption and other improper misconduct in the future. However, as the judicial system is weak and lacks independence, prosecution is selective. Incidents of corruption affecting the legal system and political interference in dispute settlement are not uncommon. China occupied the 75th place out of 183 territories surveyed in Transparency International's 2011 Corruption Perceptions Index.

## **Protection of Human Rights : 1.71**

Despite rapid socio-economic change and modernisation, China continues to be ruled under an authoritarian one-party system which greatly restricts freedoms of expression, association and religion. China still practices the death penalty; although the number of executions is unclear, it is believed to be one of the world's highest. China maintains extremely repressive policies in areas populated by ethnic minorities such as Tibet, Xinjiang and Inner Mongolia. NGOs are required to register and comply with strict regulations, and they are subject to closure at the discretion of the government. Harsh suppression of human rights activists and lawyers, oftentimes by extra-judicial measures, is frequently reported. Gender equality remains an acute problem as women are still largely vulnerable to domestic violence, employment discrimination and discriminatory social attitudes.

## **Economic Freedom**

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## **Security of Property Rights : 6.25**

Individuals and companies can own personal property, but the ultimate owner of land is the state. This means that land tenure can only be obtained via 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 : 4.89**

China's government expenditures (which include consumption and transfer payments) are still rather low. Government spending has risen from 20% to 23% of the GDP. State ownership prevails in most economic sectors.

China has a high income tax rate of 45% and a moderate corporate tax rate of 25% (20% for small businesses). New-technology businesses benefit from a reduced corporate tax rate of 15%. Other taxes include value added tax and real estate tax. The overall tax revenue amounts to 17.5% of the GDP.

## **Regulation of Credit, Labour, and Business : 6.05**

Starting a business takes 38 days and 14 procedures (according to World Bank data). The freedom to establish and run a business is hindered by China's regulatory environment and the fact that there is little 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. A labour law introduced in 2008 grants employees a number of new contractual rights.

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 : 6.57**

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. One example is the ASEAN-China FTA, which has created the world's largest trading bloc of nearly two billion people.

However, some restrictions remain in place. Import and export bans on certain goods, complicated

regulations and standards and a corrupt customs administration add to the cost of international trade.