

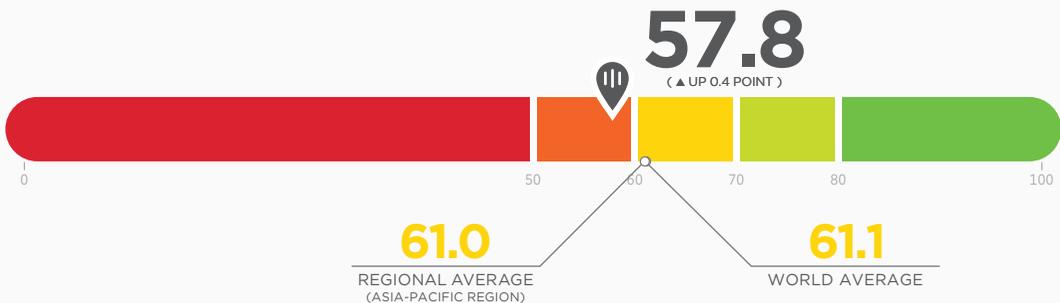
CHINA

China's economic freedom score is 57.8, making its economy the 110th freest in the 2018 *Index*. Its overall score has increased by 0.4 point, with higher scores for **government integrity** and **judicial effectiveness** more than balancing declines in **fiscal health**, **labor freedom**, and **property rights**. China is ranked 24th among 43 countries in the Asia-Pacific region, and its overall score is below the regional and world averages.

China's economy remains "mostly unfree" but benefits from integration into the global economy. There is little momentum for reform, and state-owned enterprises still dominate the financial sector and many basic industries. With a new "Socialism with Chinese Characteristics" guiding ideology, the leadership appears to be stepping back from liberalization, increasing the likelihood of less openness to imports and investment, new bureaucratic hurdles, potentially weaker rule of law, and strengthened resistance from vested interests in the state sector that already impede more dynamic economic development.

WORLD RANK: **110** REGIONAL RANK: **24**
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

ECONOMIC FREEDOM SCORE



NOTABLE SUCCESSES:
Trade Freedom

CONCERNS:
Financial Freedom, Investment Freedom, and Rule of Law

OVERALL SCORE CHANGE SINCE 2014:
+5.3

FREEDOM TREND



QUICK FACTS

POPULATION:
1.4 billion

GDP (PPP):
\$21.3 trillion
6.7% growth in 2016
5-year compound annual growth 7.3%
\$15,399 per capita

UNEMPLOYMENT:
4.6%

INFLATION (CPI):
2.0%

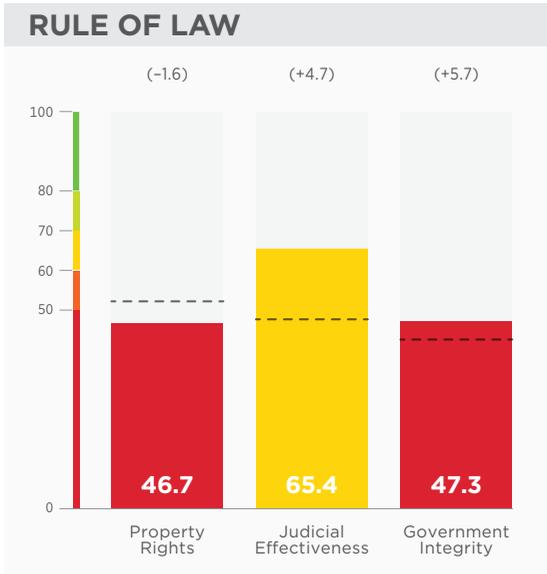
FDI INFLOW:
\$133.7 billion

PUBLIC DEBT:
46.2% of GDP

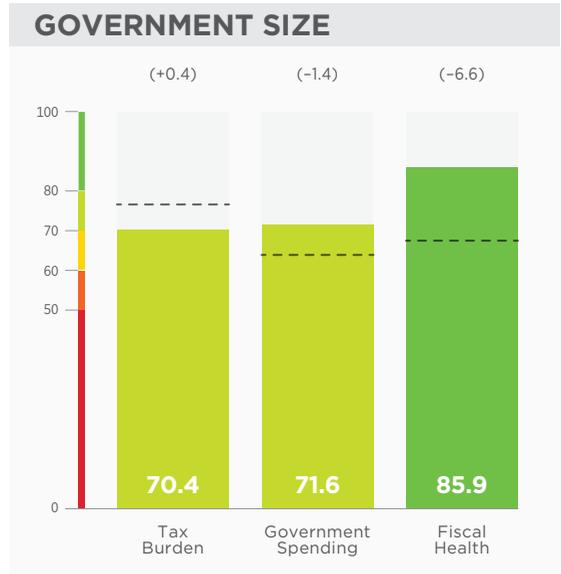
2016 data unless otherwise noted. Data compiled as of September 2017

BACKGROUND: Communist Party General Secretary Xi Jinping's regime has produced no significant reforms since taking power in 2013. Xi has centralized his authority, ousted internal political enemies, and backed authoritarian policies to tighten control of civil society. China, the world's biggest economy and largest exporter, still has a per capita income that is below the world average. The slowdown in economic growth, which may be more severe than reflected in official statistics, poses serious challenges for a government whose legitimacy increasingly depends on its ability to raise living standards throughout the large population. Much will depend on how the new ideological economic framework translates into government policy.

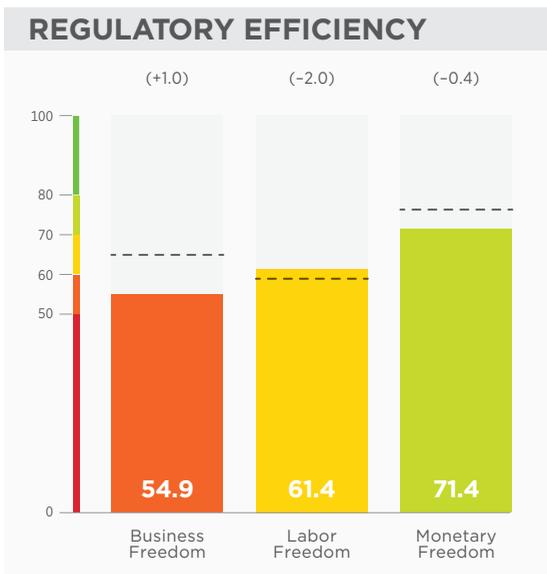
12 ECONOMIC FREEDOMS | CHINA



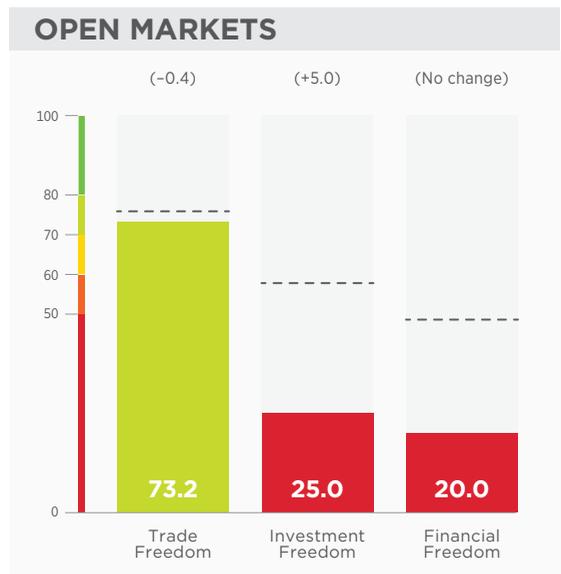
Protection of property rights remains weak. The state owns urban land; only the buildings themselves are in private hands. Rural land is collectively owned by villages. The Communist Party dominates the judicial system. Party political-legal committees influence the appointment of judges, court operations, and verdicts and sentences. Corruption remains endemic, and the leadership has rejected more fundamental reforms.



The top personal income tax rate is 45 percent, and the top corporate tax rate is 25 percent. Other taxes include value-added and real estate taxes. The overall tax burden equals 17.5 percent of total domestic income. Over the past three years, government spending has amounted to 30.7 percent of total output (GDP), and budget deficits have averaged 2.5 percent of GDP. Public debt is equivalent to 46.2 percent of GDP.



There were no significant changes in the ease of opening or running a business in China during 2016. The overall regulatory framework remains complex, arbitrary, and uneven. The labor regime continues to be repressive. The government props up numerous inefficient state-owned enterprises and funds a vast array of subsidies for manufactured exports, energy, agriculture, and consumer goods.



Trade is moderately important to China's economy; the combined value of exports and imports equals 37 percent of GDP. The average applied tariff rate is 3.4 percent. Nontariff barriers significantly impede trade. The prevalence of state-owned enterprises limits foreign investment. The state uses control of the financial system to manage the economy. The government owns all large financial institutions, which lend according to state priorities.