

CHINA

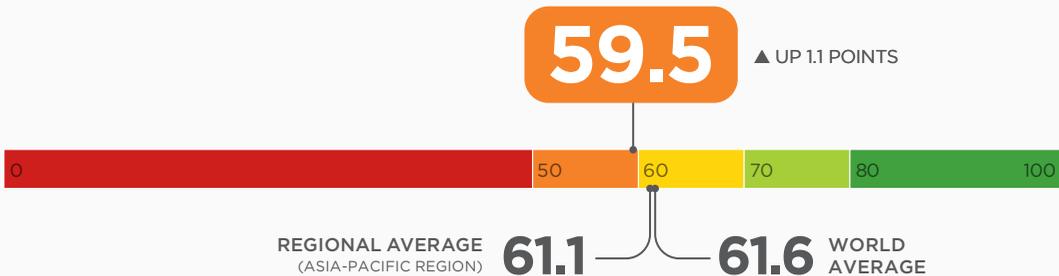
China's economic freedom score is 59.5, making its economy the 103rd freest in the 2020 *Index*. Its overall score has increased by 1.1 points due to increases in scores for **business freedom** and **property rights**. China is ranked 20th among 42 countries in the Asia-Pacific region, and its overall score is below the regional and world averages.

China's economic freedom score has improved over the past five years, with most of the gains coming in areas related to the rule of law and, more recently, business regulation. The overall gains track with a continuing high rate of GDP growth.

Major reforms of the financial system have not occurred, but there is hope that a new investment law that is expected to take effect in 2020 may improve regulatory transparency. Overall, the economic freedom that does exist in China lacks depth and breadth, and the government needs to ensure that business-friendly policy changes are understood and implemented nationwide, not just in Beijing or the major commercial centers.

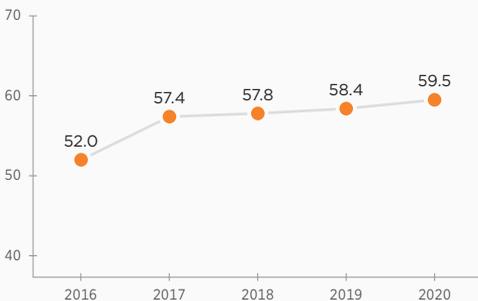
WORLD RANK: **103** REGIONAL RANK: **20**
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +7.5

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
1.4 billion

GDP (PPP):
\$25.3 trillion
6.6% growth in 2018
5-year compound annual growth 6.9%
\$18,110 per capita

UNEMPLOYMENT:
4.4%

INFLATION (CPI):
2.1%

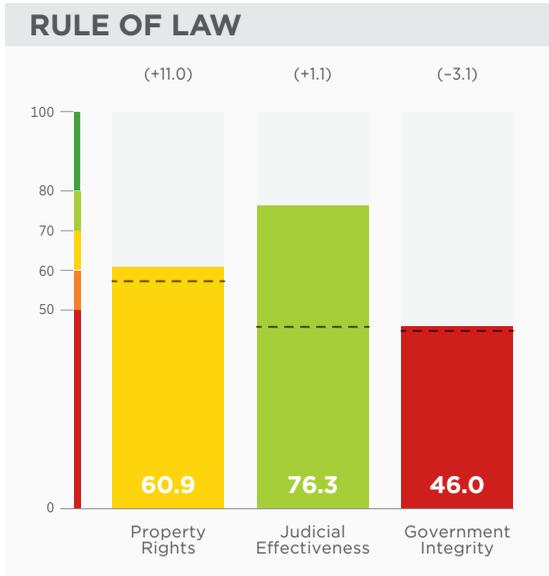
FDI INFLOW:
\$139.0 billion

PUBLIC DEBT:
50.5% of GDP

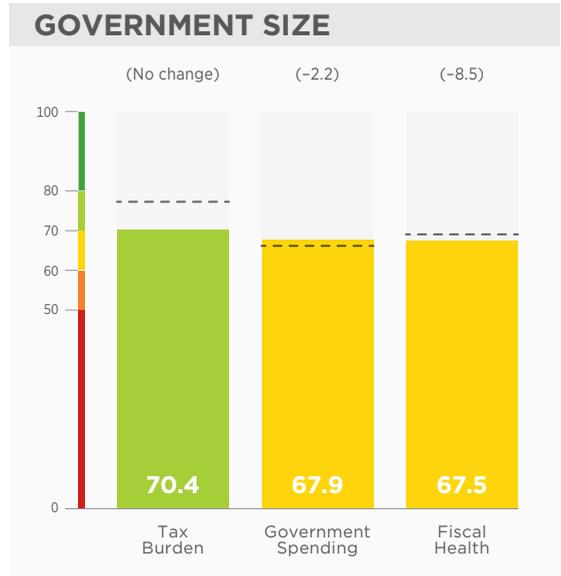
2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Xi Jinping succeeded Hu Jintao as president of China in 2013. Xi has centralized his authority, ousted internal political enemies, and backed authoritarian policies to tighten control of civil society. China is the world's second-largest economy and biggest exporter, but its per capita income is below the global average. A slowdown in economic growth, which may be more severe than is officially acknowledged, poses serious challenges, both for the government and for Xi's new ideological economic framework. Since 2017, the U.S. and China have been engaged in serious trade negotiations that have been accompanied by the imposition of tariffs by both sides. The outcome of these negotiations will likely have a significant impact on the global economy.

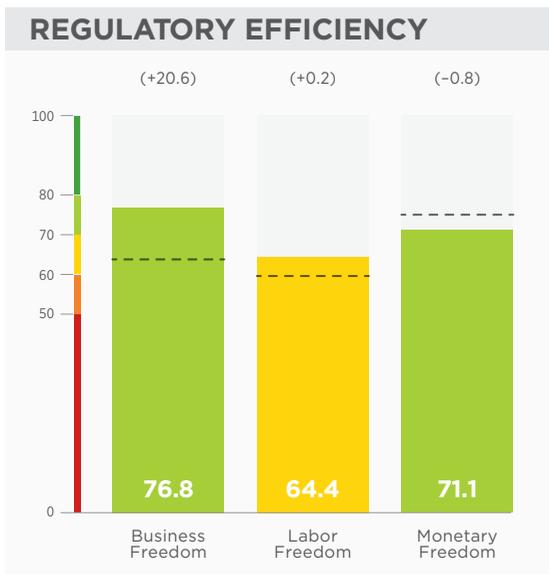
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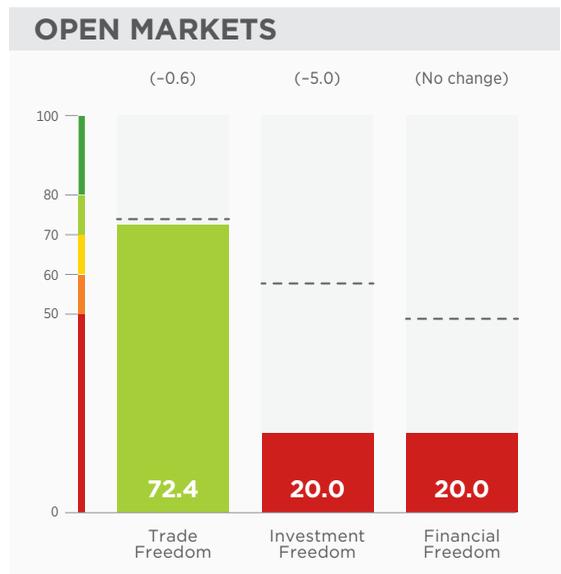
Theft of foreign-owned intellectual property is widespread. All land in China is owned either by the state or by rural collectives. Government agencies and the Chinese Communist Party heavily influence the judicial system. Courts lack the sophistication and educational background needed to understand complex commercial disputes and operate without transparency. Corruption remains endemic. The absence of a free press and the lack of governmental capacity hamper anticorruption efforts.



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. Government spending has amounted to 32.7 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 4.1 percent of GDP. Public debt is equivalent to 50.5 percent of GDP.



China has made some business-friendly reforms, but the government continues to protect and favor its nontransparent state-owned enterprises, as well as private enterprises that are deemed "national champions," providing both types of firms with substantial state subsidies. Labor laws are changed frequently and applied differently in different localities. There are price controls for essential goods and services.



The total value of exports and imports of goods and services equals 38.2 percent of GDP. The average applied tariff rate is 3.8 percent, and 385 nontariff measures are in force. A new Foreign Investment Law of the People's Republic of China may improve the transparency of foreign investment policies, but it will not take effect until 2020. The state maintains its tight grip on the financial system.