

CHINA

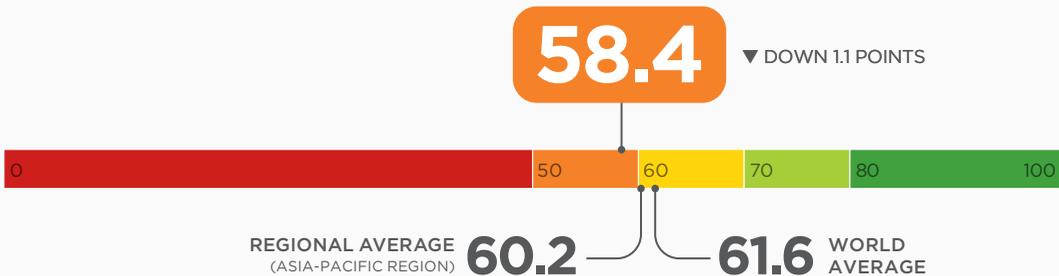
China's economic freedom score is 58.4, making its economy the 107th freest in the 2021 *Index*. Its overall score has decreased by 1.1 points, primarily because of a decline in **fiscal health**. China is ranked 20th among 40 countries in the Asia-Pacific region, and its overall score is below the regional and world averages.

China remains a mostly unfree economy. The modest improvements in its economic freedom score in recent years have resulted mostly from gains in the property rights, judicial effectiveness, and business freedom indicators. Overall, the economic freedom that does exist in China continues to lack 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.

IMPACT OF COVID-19: As of December 1, 2020, 4,743 deaths had been attributed to the pandemic in China, and economic growth was forecast to decline to 1.9 percent for the year.

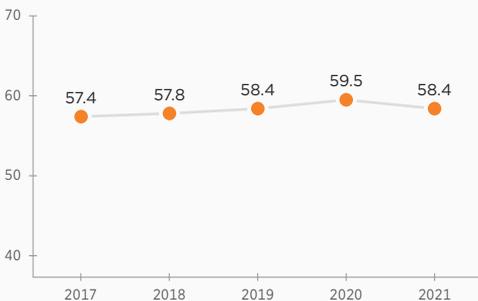
WORLD RANK: **107** | REGIONAL RANK: **20**
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +6.4

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
1.4 billion

GDP (PPP):
\$27.3 trillion
6.1% growth in 2019
5-year compound annual growth 6.7%
\$16,785 per capita

UNEMPLOYMENT:
4.3%

INFLATION (CPI):
2.9%

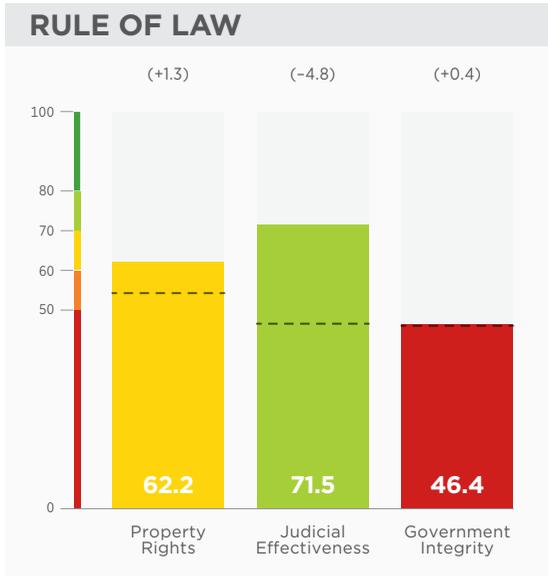
FDI INFLOW:
\$141.2 billion

PUBLIC DEBT:
54.4% of GDP

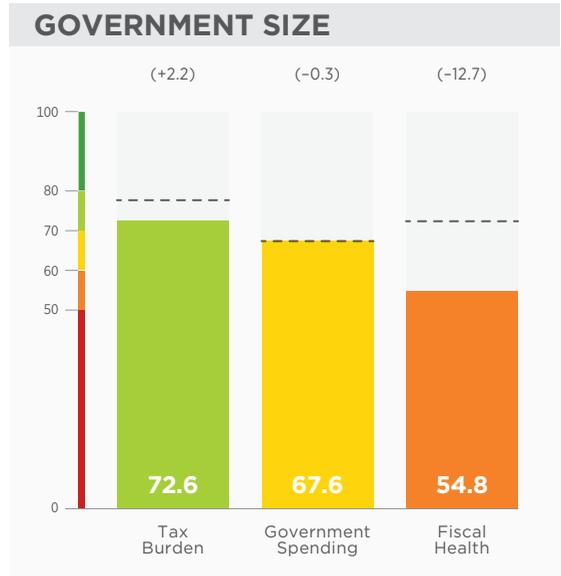
2019 data unless otherwise noted. Data compiled as of September 2020

BACKGROUND: Xi Jinping, who succeeded Hu Jintao as president in 2013, has centralized his authority, ousted internal political enemies, and backed authoritarian policies to tighten control of civil society. China has one of the world's largest economies and is the world's biggest exporter, but its per capita income is below the global average. A slowdown in economic growth that may be more severe than is officially acknowledged poses serious challenges both for the government and for Xi's ideological economic framework. China's relations with the U.S. and its allies have worsened since the start of the ongoing trade war and particularly since the advent of COVID-19. Other issues such as restrictions on Hong Kong's autonomy, the persecution of China's Uighur minority, and Beijing's cyberwarfare activities have led to a broad decline in trust and continue to destabilize global relationships.

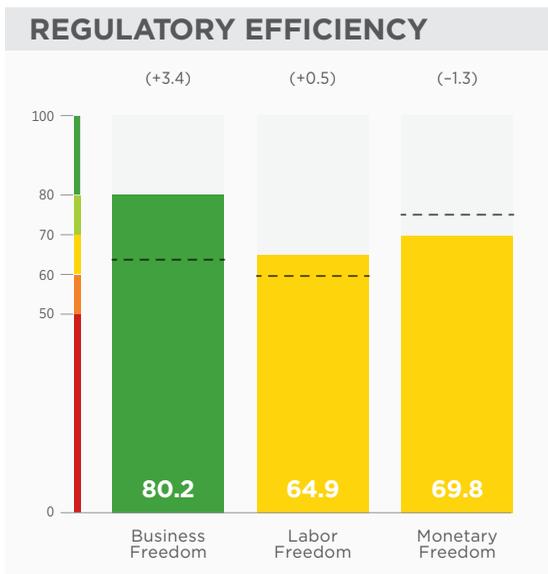
12 ECONOMIC FREEDOMS | CHINA



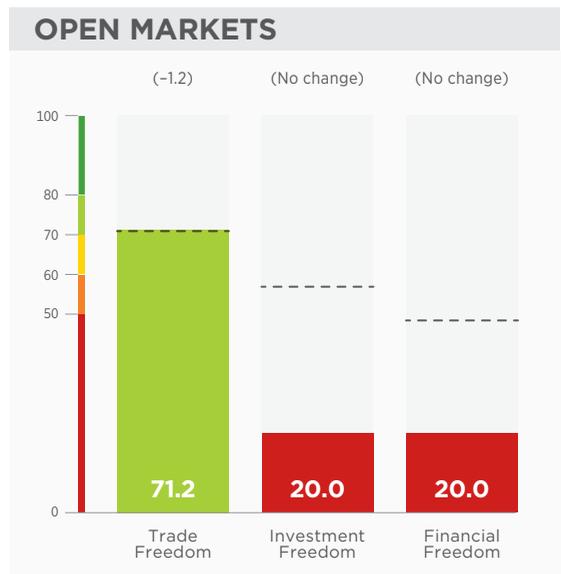
Protection of property rights remains weak. All land in China is owned either by the state or by rural collectives. Land seizures are common. Theft of foreign-owned intellectual property is widespread. The Communist Party dominates the subservient judicial system. Corruption remains endemic at all levels of government, and anecdotal information suggests that the government's crackdown on corruption is applied inconsistently and discretionarily.



The top individual 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 9.4 percent of total domestic income. Government spending has amounted to 32.9 percent of total output (GDP) over the past three years, and budget deficits have averaged 5.0 percent of GDP. Public debt is equivalent to 54.4 percent of GDP.



Fewer steps are now required to start a business or obtain electricity. Minority shareholder protections have increased on paper but are less certain in practice. China's labor and social insurance laws are hard to navigate. The government maintains an extensive system of subsidies for numerous inefficient state-owned enterprises and controls the prices of essential goods and services.



China has 15 preferential trade agreements in force. The trade-weighted average tariff rate is 4.4 percent, and 397 nontariff measures are in effect. The National People's Congress has passed new laws replacing previous codes governing foreign investment, but China's protectionist foreign investment approval system remains restrictive and lacks transparency. The government continues to maintain its tight grip on the financial system.