CHINA

China's economic freedom score is 48.3, making its economy the 154th freest in the 2023 Index. Its score is about the same as last year. China is ranked 34th out of 39 countries in the Asia-Pacific region, and its overall score is well below the global and regional averages.

The Chinese economy remains “repressed.” The rule of law is vulnerable to political influence and Communist Party directives, and corruption is widespread. The party’s leadership group holds ultimate authority and exercises direct control of economic activity. Liberalizing economic reform has either slowed or stopped. The state controls the financial sector.

BACKGROUND: Communist Party Chairman Xi Jinping has centralized authority, ousted internal political enemies, and tightened control of civil society. He easily won an unprecedented third term as CCP Chairman at the 20th Party Congress in October 2022. China has one of the world’s largest economies and is the world’s biggest exporter, but its income per capita remains below the global average. A post-COVID slowdown in economic growth may be more severe than officials acknowledge. China’s zero-COVID policies and severe lockdowns had been retarding GDP growth and disrupting supply chains. Additional pressure on real estate and banking has contributed to worsening economic forecasts.
The overall rule of law is weak in China. The country’s property rights score is below the world average; its judicial effectiveness score is below the world average; and its government integrity score is below the world average.

The top individual and corporate tax rates are, respectively, 45 percent and 25 percent. The tax burden equals 20.1 percent of GDP. Three-year government spending and budget balance averages are, respectively, 34.1 percent and −7.3 percent of GDP. Public debt equals 71.5 percent of GDP.

The overall regulatory framework remains complex and uneven. China’s arbitrary and frequently revised business-related rules and labor codes cause the private sector to be subjected to the unpredictable whims of the Communist government. The most recent available inflation rate is 0.9 percent.

The trade-weighted average tariff rate is 3.2 percent, and layers of nontariff measures are in force. China’s protectionist approval system for foreign investment remains restrictive and lacking in transparency. The government continues to maintain its tight grip on the financial system.