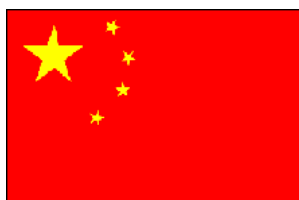


## COUNTRY PROFILE



## China

GLOBAL RANK: 54th of 104



An economy on the rise, China ranks 51st for Economic Competitiveness, but poor scores on community and political life limit it to 59th place in the Comparative Liveability Index. China ranks 54th overall.

## ● BACKGROUND

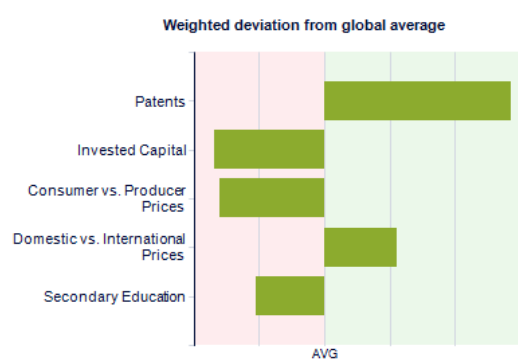
China is the world's most populous country, has the world's largest standing army, and has for the last decade been one of the world's fastest-growing economies. It is now a dominant trading and military power in Asia, and is beginning to exert diplomatic and commercial power globally. Living standards have risen dramatically for most Chinese, although rural regions remain underdeveloped. Rapid and often poorly regulated industrialisation has led to severe pollution and the creation of an urban underclass of migrant workers. China's authoritarian government is likely to face growing demands in coming years for greater financial transparency and democratic openness.

## FAST FACTS

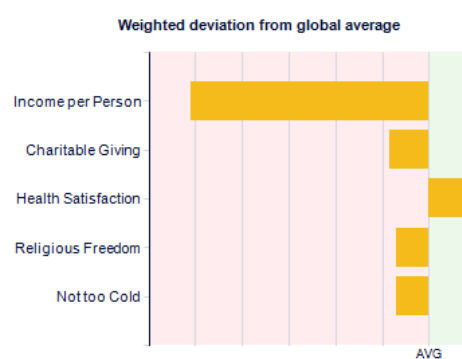
<b>Population:</b>	1.33 billion (2008 est.)	<b>FDI (net inflow):</b>	2.06% (2006 est.)
<b>Life Today</b>	5 (2007 est.)	<b>Exports</b>	36.65% (2006 est.)
<b>GDP (PPP)</b>	\$6.99 trillion (2007 est.)	<b>Imports</b>	29.93% (2006 est.)
<b>GDP (Growth)</b>	11.4% (2007 est.)	<b>Unemployment:</b>	4% (2007 est.)
<b>GDP (per Capita)</b>	\$5,300 (2007 est.)	<b>Life Expectancy</b>	73.18 years (2008 est.)
<b>Political System:</b>	Communist State		
<b>Foreign Aid:</b>	0.03% (2006 est.)		

## ● KEY SCORE DRIVERS

## ECONOMIC COMPETITIVENESS



## COMPARATIVE LIVEABILITY



China began market reforms in 1978, and succeeded in quadrupling production by 2000, vastly improving the material conditions of millions of Chinese. It avoided the 'shock therapy' adopted by other transition economies, testing reforms in pilot areas before applying them widely. China's development model remains closely supervised by the state and is characterised by private enterprise coexisting with state-owned enterprises. Its success comes despite relatively poor governance and weak property rights -- a counter-example to orthodox economic theories that has become a subject of increasing debate in the West.

Much of China's growth is in investment, much of it foreign and

Although increasing incomes have greatly benefited Chinese citizens, improvements in non-material living standards have been more modest. The Chinese Communist Party remains authoritarian and suppresses political expression and civil liberties, particularly in Tibet and Xinjiang, greatly limiting political life. Governance structures are being reformed to improve accountability -- for instance, by introducing public consultation into urban planning -- but this process is slower in inland regions that have benefited less from China's growth.

China is reviewing its growth-centric focus and introducing plans for a 'harmonious society', paying attention to social inequalities. There

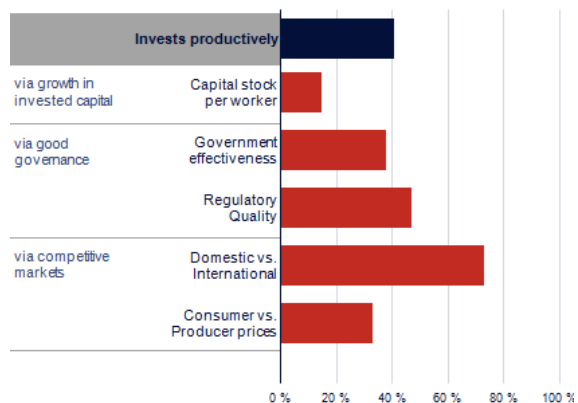
aimed at export-oriented, low-value manufacturing. Trade and investment have been encouraged by China's accession to the WTO. Still, on a per-worker basis, levels of capital investment remain extremely low -- hinting at the labour-intensive nature of much Chinese production. This model is losing vitality as Southeast Asian neighbours undercut Chinese wages. However, substantial high-tech exports and large numbers of patents give a solid commercialisation of innovation score, which suggests one explanation for China's long-term growth performance. Whatever else might be said, China has clearly avoided dependence on foreign aid.

China is reforming its banking industry to improve the efficiency of capital allocation, hoping to avoid over-investment, and is also changing its incentive structure to channel more foreign direct investment into the underdeveloped inland regions. Although encouraged by preferential taxes, foreign investors still face an uncertain regulatory regime. China benefits from its competitive strength in the international arena, although recent movements in the ratio of consumer to wholesale prices indicate a lack of competitive markets at home.

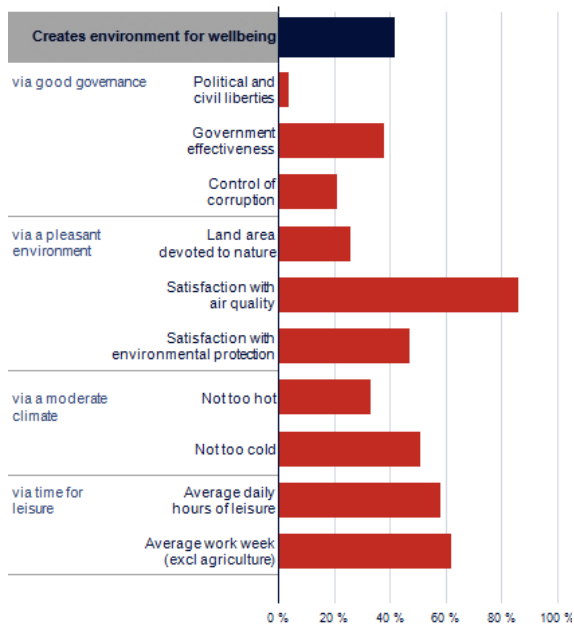
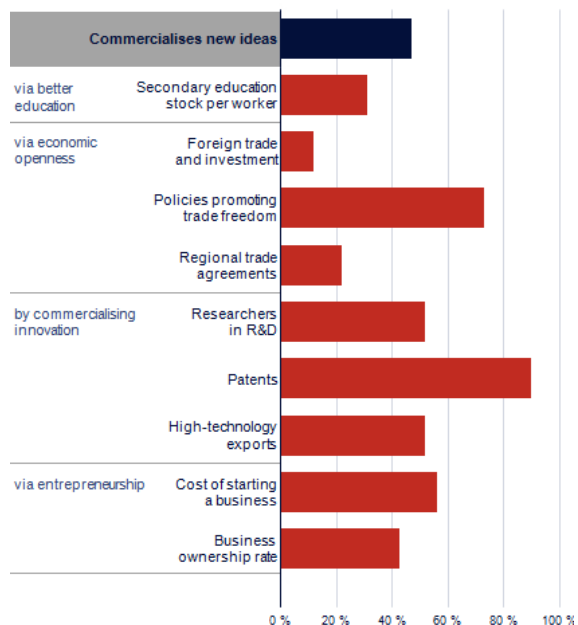
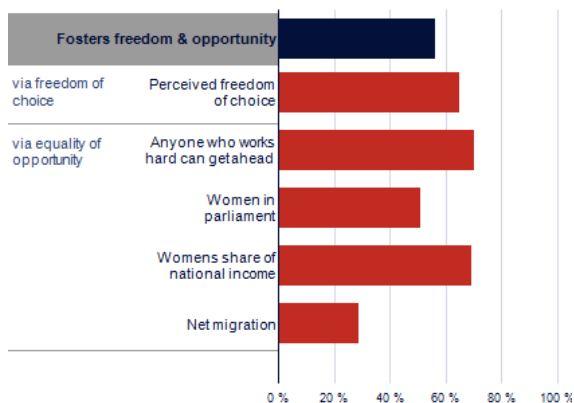
are considerable disparities along geographical fault lines between China's richer, urbanised eastern seaboard, and the poorer, more rural inland areas. However, China's overall opportunities score is improved by good performance on gender equality. China is targeting those in the 'miserable minority' with a national healthcare insurance scheme and a plan to cap rising HIV infections at 1.5 million. Comparative Liveability is also boosted by the fact that 91%<sup>9</sup> of Chinese report satisfaction with personal health, according to the Gallup World Poll.

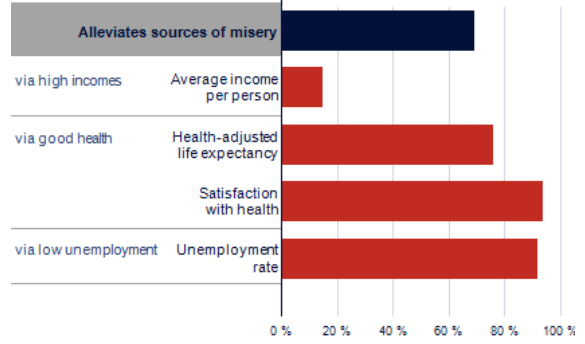
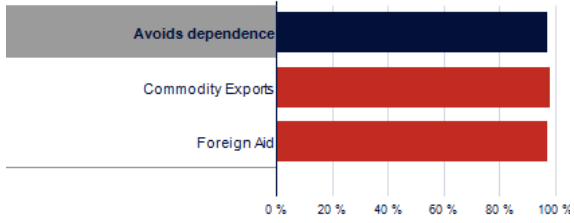
Public discontent with corruption, illegal evictions, and high rates of industrial accidents has led to frequent protests in rural areas. Although social trust is relatively high at 55%<sup>w</sup>, other community life scores may reflect this wider discontent. Levels of community involvement, such as charitable giving, are low, and there are massive restrictions on religious freedom. Weaknesses in civil society and social capital are not uncommon in communist and post-communist states. Liveability is also hindered by the cold climate in some regions of the country where a substantial proportion of the population resides.

### ECONOMIC COMPETITIVENESS: SCORECARD

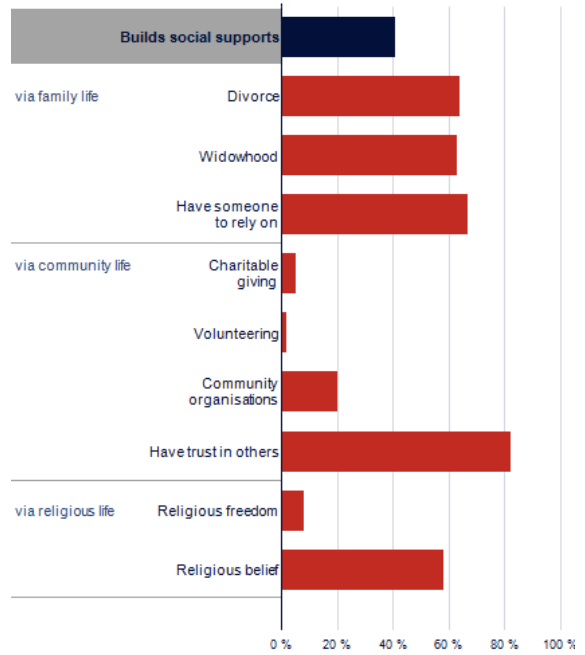


### COMPARATIVE LIVEABILITY: SCORECARD





All subindicator scores in the Index are shown unweighted, expressed as a percentage of the score for the best-performing country in the Index. Indicator scores (in dark blue) are derived from the weighted average of relevant subindicators. For more information on how the subindicator scores are weighted to produce indicator scores and an overall Index score and ranking, see Chapter Two of this report.



**References:**

<sup>9, w</sup> See [www.prosperity.com/references.aspx](http://www.prosperity.com/references.aspx) for further details including date of survey, sample size, and margin of error.