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CHINA: A hard-line autocracy that loses credibility at an international level

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CHINA: A HARD-LINE AUTOCRACY

THAT LOSES CREDIBILITY AT AN INTERNATIONAL LEVEL

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BY **Dorothea Krüger**

The country report of China in the Bertelsmann Transformation Index (BTI) 2020 shows little change for the continent-sized Asian country since the last report of 2018. Structural challenges continued to intensify and the CCP's single-party leadership does not consider democratic transformation as an objective to be pursued. On the contrary, the administration of President Xi Jinping continued to oppress opponents and dissidents while intensifying ideological indoctrination and surveillance. The deprivation of civil liberties, the concentration of power and the lack of political participation are the main reasons for classifying China in the BTI as a hard-line autocracy. At the same time, the BTI warns that China is becoming increasingly isolated from the world's liberal democracies and loses their confidence. Human rights violations in so-called "re-education camps", where it is estimated that more than one million Uyghurs are held, caused widespread criticism among Western democracies and lead to even more concern over China's candidacy for the UN Human Rights Council elections in October this year.



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Introduction

The People's Republic of China, located in East Asia, is the most populated country in the world and stands out for having become a world power after its exceptional "economic miracle". In just four decades, the Asian country went from being a country with more than 80% of its population living below the poverty line in 1981, to becoming a high-income country and the second-largest economy in the world, thereby lifting hundreds of millions of people out of poverty. In 1978, the then communist leader Deng Xiaoping introduced his "Reform and Opening" policy, breaking with Mao's economic policy by establishing a "socialism with Chinese characteristics", and putting economic modernization first. Reform and Opening thus marked the beginning of China's economic success, favoured by low factor costs, given the amount of cheap labour that could be hired in the emerging industrial sector and the relatively easy expropriation of land by the state.

With its economic power, however, China is also gaining political weight at an international level. More specifically, Human Rights Watch (HRW) warns in the introductory article to its 2020 World Report that China is taking an increasingly regressive stance in the UN Security Council. As one of the five permanent members, China uses its veto power in this UN body to block measures to protect the world's most persecuted people, according to HRW. China recently siding with Russia to veto the continued use of two border crossing-points for UN humanitarian aid to reach Syrian civilians serves as an example. Furthermore, HRW notes that in the UN Human Rights Council, China "routinely opposes virtually every human rights initiative that criticizes a particular country" and blatantly obstructs Special

1 Ravallion, Martin (2010): *A Comparative Perspective on Poverty Reduction in Brazil, China, and India*. documents1.worldbank.org/curated/en/751951468181726134/pdf/770070JRN0wbro0Box0377291B00PUBLIC0.pdf [Accessed: 11/08/2020].



Procedures that seek to examine the human rights situation in the country. Finally, HRW's article also suggests that the degree of economic dependence between states, exacerbated by China's Belt and Road Initiative, means that China's debtors do not politically oppose their creditor to maintain good relations.²

The recent politicization of the movement of vital aid to millions of civilians in northwest Syria also seems to reflect the priorities of the Chinese government at the national level. In other words, for Chinese officials, national security comes first, while human rights take a back seat. This is particularly evident in the human rights violations masked as a fight against terrorism in Xinjiang. *The New York Times* reports that after a series of attacks in the Xinjiang region in 2014, President Xi Jinping chose to confront "terrorism" using the "organs of dictatorship" and "showing no mercy"³. In 2019, leaked documents, the "China Cables"⁴ proved to what these words led. Internment camps were established to detain about a million Uyghurs and strip them of their cultural and religious roots, namely Islam. While the government in Beijing initially denied the existence of these camps, it later insisted that they were vocational training camps within the framework of a human rights policy to rid China of religious extremism.



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The fight against terrorism thus served as a justification for the indoctrination of Uyghurs, Kazakhs, and other Muslim minority groups rooted in the Xinjiang province. However, the region's minority communities had been facing certain discrimination for some time beforehand, as the Chinese government sought to suppress the Uyghur resistance to Chinese rule over decades. Nevertheless, from 2014 onwards the repression by the Chinese leadership reached yet another level. Since then, a virtually infallible surveillance system has been established in Xinjiang. According to the German newspaper *Süddeutsche Zeitung*⁵ and the American *New York Times*, two media outlets that analysed the "China Cables", surveillance cameras using facial recognition technology are ubiquitous and mobile phones are

² "China's Global Threat to Human Rights", introductory essay to the Human Rights Watch World Report 2020 by Kenneth Roth, <https://www.hrw.org/world-report/2020/country-chapters/global> [Accessed: 19/08/2020].

³ 'Absolutely No Mercy': Leaked Files Expose How China Organized Mass Detentions of Muslims", *New York Times*, <https://www.nytimes.com/interactive/2019/11/16/world/asia/china-xinjiang-documents.html> [Accessed: 05/08/2020].

⁴ For further information on the China Cables, see: <https://www.icij.org/investigations/china-cables/read-the-china-cables-documents/>.

⁵ "Tatort Xinjiang", *Süddeutsche Zeitung*, <https://projekte.sueddeutsche.de/artikel/politik/wie-china-hunderttausende-in-lagern-interniert-e356735/> [Accessed: 05/08/2020].



controlled by spyware applications. Fingerprints, iris scans, and DNA samples of the population are collected and archived. Also, men are prohibited from growing a beard, for instance, and women from wearing hijabs. However, not only big data is made use of to surveil the people of Xinjiang. Instead, rather more analogue methods of surveillance are applied as well when Chinese officials stay as uninvited “guests” in the homes of Muslim families to monitor their private life. To grow a beard, abstain from alcohol, study Arabic, pray outside a mosque, and to keep in touch with family members living abroad are all considered suspicious behaviour indicating religious radicalism. Another example documented in the China Cables reveals the case of a man, who was sentenced to ten years in prison for having advised his colleagues not to watch pornography and to stop cursing, as it does not correspond to the Islamic faith⁶. On this account, the measures of the Chinese authorities exceed any discernible terrorist threat and show a complete disregard for the freedoms of their citizens.



ACCORDING TO THE GERMAN NEWSPAPER SÜDDEUTSCHE ZEITUNG AND THE AMERICAN NEW YORK TIMES, TWO MEDIA OUTLETS THAT ANALYSED THE “CHINA CABLES”, SURVEILLANCE CAMERAS USING FACIAL RECOGNITION TECHNOLOGY ARE UBIQUITOUS AND MOBILE PHONES ARE CONTROLLED BY SPYWARE APPLICATIONS.

Even before the China Cables came to light, the suspected mass detentions in Xinjiang provoked harsh criticism among Western democracies. That is why, in June 2019, 22 states condemned these developments in a joint letter to the President of the United Nations Human Rights Council (HRC) and the High Commissioner of Human Rights. Nonetheless, just a few days later about 37 countries signed a similar letter defending China, which illustrates China’s ability to mobilise international support⁷. Also, according to HRW, the Trump administration’s withdrawal from the HRC made it possible for China to gain influence in this body.

Accordingly, China persists in international bodies dedicated to human rights protection despite its own record of human rights violations. As the NGO UN Watch informed, China was nominated in April 2020 to the HRC Consultative Group, a panel that nominates, selects and appoints independent experts and special rapporteurs who, in turn, are recommended as mandate holders of the HRC’s Special Procedures⁸. These mandate holders then investigate, monitor, and report either on specific human rights issues or on the human rights situation of a particular country. The fact that a regime like China can influence the mechanisms of human

⁶ “Die wichtigsten Fakten zu den China Cables”, *Süddeutsche Zeitung*, 24 November 2019, <https://www.sueddeutsche.de/politik/china-cables-faq-1.4694488> [Accessed: 05/08/2020].

⁷ “How China Is Expanding Beyond Western Institutions”, *Eva Seiwert*, 16 March 2020, <https://thediplomat.com/2020/03/how-china-is-expanding-beyond-western-institutions/> [Accessed: 05/08/2020].

⁸ “China joins U.N. human rights panel, will help pick experts on free speech, health, arbitrary detention”, *UN Watch*, 3 April 2020, <https://unwatch.org/chinaunhrc/> [Accessed: 05/08/2020].



rights protection in this way is therefore especially worrisome. Nevertheless, the autocratic country has been a member of the HRC almost permanently since the body's inception in 2006. Only during 2013 and 2020 did it not sit on the council, given the regulations that prohibit direct re-election after two consecutive three-year terms. Consequently, China has already announced its candidacy for the upcoming election next October, aspiring to return to a seat on the HRC in 2021.

The Bertelsmann Transformation Index (BTI) 2020 report summarizes China's development for the review period of February 1st, 2017 to December 31st, 2019. In this report, the BTI concludes that the Chinese government intensified ideological indoctrination and surveillance and continued to advocate its authoritarian political system as a valid alternative to liberal democracy. In other words, while the Chinese regime remains committed to both economic development and opening, the same cannot be said about a political transformation towards liberal democracy. On the contrary, since 2018, the leadership of the Chinese Communist Party (CCP) is enshrined in the National Constitution. This is reflected in China's performance in the BTI during the review period, which will be detailed in the following report.



THE PEOPLE'S REPUBLIC OF CHINA SHOWED VERY LITTLE CHANGE IN THE INDICATORS ANALYSED BY BTI COMPARED TO THE PREVIOUS REPORT OF 2018. CHINA'S DEMOCRACY STATUS SCORE OF 3.33 IMPROVED ONLY BY 0.03 POINTS AND REMAINS WELL BELOW THE REGIONAL AVERAGE.

China in the Bertelsmann Transformation Index 2020

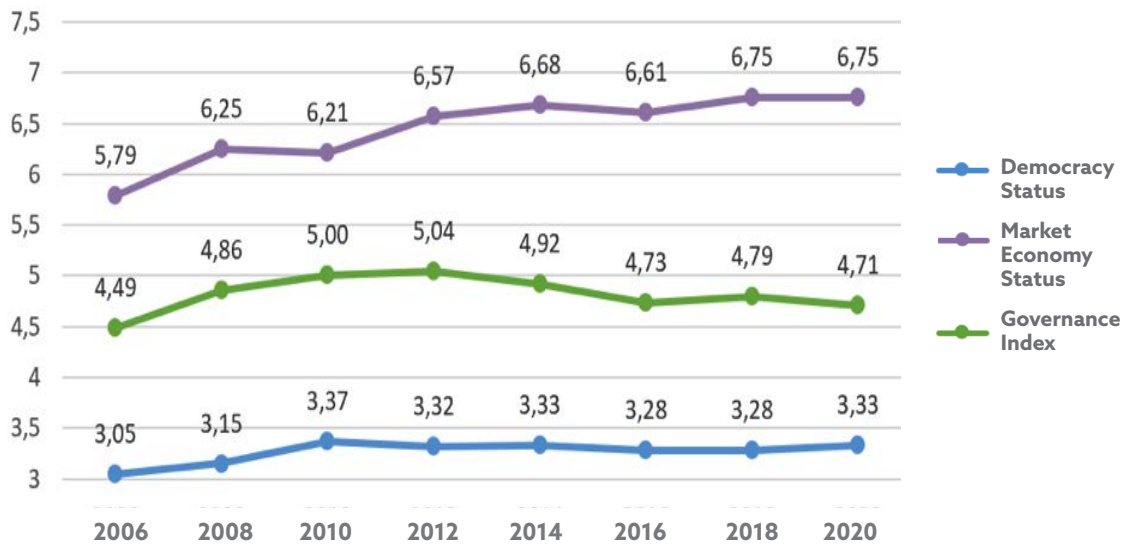
The Bertelsmann Transformation Index (BTI)⁹ analyses the transformation processes towards democracy and market economy of 137 countries from a comparative international perspective and identifies successful strategies for peaceful transformation. To this end, the BTI considers three dimensions: democratic transformation, the economy, and governance. In each of these dimensions, the situation of the respective country is examined by evaluating different indicators, assigning scores from 1 (worst) to 10 (best).

The People's Republic of China showed very little change in the indicators analysed by BTI compared to the previous report of 2018. China's Democracy Status score of 3.33 improved only by 0.03 points and remains well below the regional average. Specifically, within the Asia-Pacific region, China ranked seventh-lowest for democratic transformation.

⁹ <https://bti-project.org/en/home.html>



CHINA IN THE BERTELSMANN TRANSFORMATION INDEX (BTI)
2006-2020



In terms of the Market Economy Status, however, China stands out for an above-average score. With 6.75 points, China ranks fifth in this dimension in the regional comparison. However, since the 2018 BTI, there have been no changes in any of the assigned scores for economic indicators.

While in the economic and democratic dimensions China is far from the regional average, China's Governance Index (4.7) reflects the regional average (4.9). It is also close to the world average, as, of the 137 countries analysed by the BTI, China ranks 77th in the Governance Index.

If we look at the evolution of the three dimensions since the beginning of the BTI (see Figure 1), we can see that - although in the first years of the analysis China is making progress in each of the three dimensions - from 2012 onwards only the Market Economy Status is making progress.

After having evaluated all the indicators, the BTI provides categories to classify the countries according to their performance regarding democracy, market economy, and governance. According to the BTI's definition, China can, therefore, be described as a hard-line autocracy with a functionally flawed market economy and a moderate governance index.



Democratic Transformation

Even though the Chinese regime declares itself to be democratic, the People's Republic of China is not a democracy. The BTI clearly determines that. This assessment is based on the BTI's broad concept of democracy according to which eight indicators are defined. For each indicator, a country's score must exceed a certain minimum to be classified as a democracy. China, however, does not surpass this minimum threshold in seven of these eight indicators and is therefore categorized as a hard-line autocracy.

These seven indicators in which China did not obtain the required score to be listed as democracy are all related to two criteria: Political Participation and Rule of Law. In the following, they will be outlined in more detail.

In China, the Communist Party of China (CCP) governs in a single-party system, characterized by the Leninist principle of concentration of state powers. In other words, the CCP is the supreme leader of the country, commands all state institutions, and controls the national legislative power: the National People's Congress of China (NPC). The executive and judiciary are responsible to the NPA, which is formally the highest organ of power. The delegates of the NPA, however, like all other authorities at the national level, are not elected democratically but through an internal selection process of the CCP. In short: there are neither free and fair elections nor is there a real separation of powers in China.

Moreover, the BTI notes that the CCP is above the law and frequently controls and interferes with the judicial system. For example, lawyers are restrained from gathering evidence and face harassment when defending human rights cases. In the light of this political dependence of the judiciary, it should be kept in mind that the number of death sentences in China is still among the highest in the world.

Furthermore, in 2018, term limits for the presidency and vice-presidency were abolished (for the party's Secretary General there have never been any). According to the BTI, under the government of Xi Jinping, who is the incumbent Secretary General of the CCP, commander-in-chief of the Armed Forces and President of the Republic, a further centralization of political and administrative powers can be observed. Not only does this trend concentrate increasing power in the central government but also, ultimately, in the hands of Xi Jinping himself. Consequently, both of the BTI's indicators, Free and Fair Elections and Separation of Powers are qualified with the lowest score of one out of ten.



ACCORDING TO THE BTI, UNDER THE GOVERNMENT OF XI JINPING, WHO IS THE INCUMBENT SECRETARY GENERAL OF THE CCP, COMMANDER-IN-CHIEF OF THE ARMED FORCES AND PRESIDENT OF THE REPUBLIC, A FURTHER CENTRALIZATION OF POLITICAL AND ADMINISTRATIVE POWERS CAN BE OBSERVED.



The other decisive indicator of the BTI for determining whether a state qualifies as a democracy or autocracy assess the status of civil rights, rights of association and assembly, and freedom of expression. In each of these categories, China scored poorly, with two out of ten. Thus, freedom of expression and the rights of association and assembly are often subject to interference or government restriction and the Chinese's civil rights are systematically violated, even though the Chinese Constitution guarantees these freedoms and certain civil rights.

Firstly, the BTI 2020 indicates that civil society organizations cannot operate independently. Any political opposition to the CCP, whether from political parties or organizations, is prohibited, which is why NGOs must refrain from addressing political topics. Otherwise, as the government fears, state control over civil society would decrease. Also, competences to supervise foreign organizations have been transferred to the Ministry of National Security, which illustrates how the Chinese government tries to control ever more rigidly any international actor in its territory. Nevertheless, NGOs that focus on non-political issues are tolerated and even supported by the government, as part of a new "social management" strategy. Still, many NGOs continue to be poorly connected, lack organizational capacity and funding. Also, by prohibiting any politically unwanted activity, many interest groups cannot count on due representation.



THE CHINESE POPULATION IS MAKING MORE AND MORE USE OF MASS COMMUNICATION TECHNOLOGIES AND SOCIAL NETWORKS TO EXPRESS ITSELF CRITICALLY. IN RESPONSE, THE CHINESE GOVERNMENT IS TIGHTENING ITS CONTROL OVER THESE TECHNOLOGIES, SHUTTING DOWN WEBSITES, BLOCKING MESSAGING APPLICATIONS, AND CENSORING ONLINE CONTENT.

Secondly, regarding freedom of expression, the BTI highlights state control and censorship of communication technologies. The Chinese population is making more and more use of mass communication technologies and social networks to express itself critically. In response, the Chinese government is tightening its control over these technologies, shutting down websites, blocking messaging applications, and censoring online content. In 2018, for example, millions of user accounts on Weibo, the Chinese counterpart of Twitter, were removed. Additionally, the BTI states, communications of political activists are strongly monitored and there are ongoing arrests of bloggers and "cyber-dissidents". Generally, the work of journalists is subject to strict censorship by the CCP.


Finally, according to BTI, the CCP and state organs frequently interfere with the civil rights guaranteed by the Chinese Constitution. For instance, maltreatment, physical abuse, and torture are commonplace in Chinese prisons. Also, the government violates private property rights, when forcing citizens to resettle to go through with large-scale construction projects. Secondly, ethnic minorities face political



and economic discrimination. In rural areas, the state is either unable or unwilling to prevent large-scale human rights violations, including forced labour, kidnapping, and human trafficking. Thirdly, during the review period, the BTI's analysts observed increasing interference with the freedom of religion. Although the Chinese regime officially recognizes Catholicism, Protestantism, Buddhism, Taoism, and Islam, they demolished mosques in the Xinjiang province and the Buddhist Institute in Larung Gar, Tibet. Moreover, in 2018, a church in Chengdu was forcibly closed, Chinese authorities continued to remove crosses from churches and banned online sales of the Bible. Finally, the rights of approximately one million Uyghurs and other Turkic Muslims are violated as they are being detained without any legal process in camps where they "are subjected to forced political indoctrination, renunciation of their faith, mistreatment, and, in some cases, torture", Amnesty International has warned¹⁰.

In one of the eight indicators, however, China's score was clearly above the minimum threshold, which stems from the overall good results in the Stateness criterion, averaging 8,75 points. According to the BTI, China has the, virtually unchallenged, monopoly on the use of force and bureaucratic structures are spread throughout the country. In March 2018, new checks-and-balances institutions were added to the constitution to effectively implement central policies and regulations. However, the BTI also mentions the gap between urban and rural areas. In the latter, public infrastructure and access to basic services are still insufficient.

The only improvement in terms of democratic transformation, which is also reflected in an improvement in the respective indicator score, gives credit to the anti-corruption campaign that has been conducted by the Jinping administration since it took office. Hence, China scored five out of ten on the Prosecution of Office Abuse, lifting the score by one point since the 2018 report. According to the BTI, in the first 10 months of 2018, 68,500 officials were disciplined due to the campaign, targeting all levels and sectors of the regime. Also, bribes and corrupt behaviour have become substantially more difficult, partly because of the digitalisation of financial transactions. This shows that the CCP leadership recognised that corruption hinders the legitimacy and effectiveness of the regime. However, in a single-party system, political survival often follows a logic of distribution of spoils

 **THE ONLY IMPROVEMENT IN TERMS OF DEMOCRATIC TRANSFORMATION, WHICH IS ALSO REFLECTED IN AN IMPROVEMENT IN THE RESPECTIVE INDICATOR SCORE, GIVES CREDIT TO THE ANTI-CORRUPTION CAMPAIGN THAT HAS BEEN CONDUCTED BY THE JINPING ADMINISTRATION SINCE IT TOOK OFFICE.**

¹⁰ "UN: Act to End China's Mass Detentions in Xinjiang", *Amnesty International*, 4 February 2019, <https://www.amnesty.org/en/latest/news/2019/02/un-act-to-end-china-mass-detentions-xinjiang/>, [Accessed: 05/08/2020].



and privileges, which means that corruption in China can be considered rather systemic, according to the BTI's assessment.

In short, the People's Republic of China is rated low in democratic transformation, precisely because it is not a democracy but a single-party autocracy. Unsurprisingly, China scores worst, one out of ten, in democratic institutions and political party system. While some democratic selection procedures indeed have been implemented at the municipal level, progress has been slow and should not be understood as a commitment to future political reforms. On the contrary, "Western-style democracy" is repudiated. The BTI indicates that many Chinese citizens have only a vague understanding of democracy, and further assumes that the overwhelming power of the state frightens off any attempts by Chinese citizens to become personally involved in politics or to demand more democratic participatory rights.

Meanwhile, Xi Jinping is cracking down on regime critics, thus intensifying the lack of freedom for Chinese citizens. The BTI report notes that the Jinping administration continued to take action against political opponents, human rights lawyers, Muslim and Tibetan minorities, and religious authorities. According to HRW, under the Jinping government, the Chinese people are suffering the "most pervasive and brutal oppression in decades"¹¹. According to HRW, this is due to fears that popular scrutiny and free debate could weaken the power of the party. The government's hard line and violation of rights, therefore, stems from "the fragility of rule by repression rather than popular consent"¹². Against this backdrop, the constitutional reform to abolish the presidential term limits allows us to glimpse at the authoritarian regime's consolidation over time.



AGAINST THIS BACKDROP, THE CONSTITUTIONAL REFORM TO ABOLISH THE PRESIDENTIAL TERM LIMITS ALLOWS US TO GLIMPSE AT THE AUTHORITARIAN REGIME'S CONSOLIDATION OVER TIME.

¹¹ "China's Global Threat to Human Rights", introductory essay to the Human Rights Watch World Report 2020 by Kenneth Roth, <https://www.hrw.org/world-report/2020/country-chapters/global> [Accessed: 19/08/2020].

¹² *Ibid.*



Economic Transformation

China's economic transformation since 1978 has undoubtedly been impressive. According to UNCTAD data, real GDP (at 2015 prices) in 2018 was roughly thirty-six times the GDP of 1978. Since 2006, which was the first year in which the Bertelsmann Foundation published its index, China's GDP has also more than doubled. However, the BTI does not reduce its analysis of economic transformation merely to indicators of economic growth. Instead, it includes elements of social inclusion as well. Thus, the BTI's economic criteria reveal China's structural difficulties and inefficiencies. Hence, China is one of the world's largest economies, but on the other hand, wealth and income distribution in China are also one of the most unequal in the world.

Even if the lack of reliable data impedes an exact calculation of China's poverty rate, the BTI confirms that inequality is most visible comparing large cities with rather rural areas or the rich coastal provinces in the East with remote provinces in the West. Moreover, most of China's poor live in minority regions, which illustrates that social and economic exclusion of ethnic, religious, and linguistic minorities is predominant in China. Political marginalization, unequal access to well-paid employment, and the cultural insensitivity of the ethnic majority group of Han Chinese towards minorities, has already caused violent resistance and separatist movements in Tibet and Xinjiang in the past. The Chinese government later took these incidents as a result of religious extremism and thus justified the sinification of Muslim and Tibetan ethnic groups in "re-education" camps in the Xinjiang region.

On the other hand, the Xi Jinping administration improved the disadvantageous situation of migrant workers and their families by integrating them into the social security system and allowing them access to education. In general, the President is committed to his poverty reduction policy, facilitating access to social security services, according to the BTI. Therefore, an increasing number of low-income citizens benefit from existing social security networks, including retirement, unemployment, accident insurances, health, and maternal care. Besides this, the Chinese government has largely fulfilled its goal of implementing universal health insurance by 2020, although the benefits of basic coverage are limited. In general, not all Chinese benefit to the same extent from the security system. For example, benefits received depend on contributions, meaning very basic and limited services for



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low-income citizens. Moreover, unemployment insurance continues to cover only employees of urban enterprises and institutional organizations.

To summarize, the BTI shows that inequality in China still is a major obstacle to an economic transformation that aims at economic freedom of choice and action for as many citizens as possible. That is why the criteria Welfare Regime (5.5 points) and Level of Socioeconomic Development (5 points) are China's weak spot within its Market Economy Status in the BTI of 2020.

This inequality also hinders domestic consumption and therefore stands in the government's way to achieve a transformation towards a consumer-driven economy. Nevertheless, China's economic performance remains very good compared to other developing countries. Although growth rates fell to the "new normal" of about 6% after average rates of about 10% between 1978 and 2010, the BTI still assigns nine out of ten points to China's economic output, the best performing economic indicator for China in the current index.

Furthermore, the Chinese economy shows very good results in the BTI in criteria such as Foreign Trade Liberalization, Monetary and Fiscal Stability, and Education and R&D Policy (8 points each).

First, it is highlighted, that, since China acceded to the WTO in 2001, foreign trade has been continuously liberalised, reducing state interventions and tariffs. Since the 2008 financial crisis, China has also become, to a certain extent, more independent of foreign trade supplying larger parts of its domestic market. However, the export of manufactured goods continues to play a key role in China's economy, which led the country to surpass the United States as the world's largest trading nation in 2012.

Second, the BTI indicates that macroeconomic stability is of utmost importance to the Chinese government. To achieve it, the central government regards the financial system as a valuable instrument of macroeconomic control, which explains the party's strict supervision of the Chinese central bank. The inflation rate remained low and stable during the BTI's review period as the Chinese government has been engaging in structural reforms to cope with decreasing economic growth rates in the wake of the global financial crisis. These included improving factor productivity and eliminating excess capacity in several sectors. Altogether, the BTI report summarizes that the basic challenge for the Chinese authorities is to keep



(...) THE BTI INDICATES THAT MACROECONOMIC STABILITY IS OF UTMOST IMPORTANCE TO THE CHINESE GOVERNMENT. TO ACHIEVE IT, THE CENTRAL GOVERNMENT REGARDS THE FINANCIAL SYSTEM AS A VALUABLE INSTRUMENT OF MACROECONOMIC CONTROL, WHICH EXPLAINS THE PARTY'S STRICT SUPERVISION OF THE CHINESE CENTRAL BANK.



a balance between economic growth to secure jobs and steering the economy towards a more sustainable consumer-driven development.

Finally, China stands out for its high spending on R&D, which with 2.13% of GDP exceeds the European average. Besides, more and more successful patent applications are being filed by Chinese actors, at the expense of foreign actors. In contrast, R&D expenditure continues to be largely driven by investment from foreign companies. In 2017, 3.06% of GDP was spent on education, which is now directed more towards rural regions after favouring coastal regions and tertiary institutions in the past. However, due to the size and heterogeneity of the country, the quality of education is rather uneven; although this did not prevent the level of education in China from gradually rising in the UN Education Index, quoted by the BTI.

Regarding the structural flaws of the Chinese economy, the BTI registered certain improvements. More specifically, it mentions fewer restrictions on foreign investment, an increased number of free trade zones in the country, fewer bureaucratic obstacles to starting a business, and important reforms in the banking sector. Furthermore, there were some initiatives to improve competition, such as the creation of a new anti-monopoly office in 2018 to increase institutional efficiency and transparency. However, the score of 6.75 on the BTI's corresponding criterion of Organization of the Market and Competition, still shows some scope for improvement in the matter.

Another constraint on successful economic transformation in China consists in the arbitrary and inconsistent implementation of private property rights. Especially affected by this are farmers, as land ownership remains with the state. Likewise, environmental degradation is of growing concern as it increasingly challenges China's continued development. With about 60% of China's groundwater being of poor quality and given that pollution has already caused premature deaths, environmental protection has become a high priority issue on the CCP's agenda. Therefore, the government is gradually banning the use of coal stoves and fossil-fuel-powered cars and replacing coal power plants with renewable energy. While there is still room for improvement regarding effective incentives to efficiently implement these measures, for the review period, the BTI's analysts mention slight improvements in China's air quality.



WITH ABOUT 60% OF CHINA'S GROUNDWATER BEING OF POOR QUALITY AND GIVEN THAT POLLUTION HAS ALREADY CAUSED PREMATURE DEATHS, ENVIRONMENTAL PROTECTION HAS BECOME A HIGH PRIORITY ISSUE ON THE CCP'S AGENDA.



In summary, the BTI highlights the structural challenges of the Chinese economy, which the report considers having further intensified in the review period. GDP growth has slowed down whereas the demographic transition leads to an increased average age of the population, two important factors that are putting pressure on the rudimentary social security system. Even though Xi Jinping's policies to reduce poverty in the country are promising, they will take time before they show their effects. Meanwhile, the BTI categorizes the state of China's market economy as functionally flawed.

Governance

The BTI Governance Index assesses the policymakers' determination and consistency in pursuing a transformation process towards democracy and a market economy. Successful governance, therefore, involves consensus on transformation objectives, efficient management of reforms following political priorities, effective use of resources and external advice, and international cooperation. Furthermore, the BTI Governance Index takes unfavourable structural conditions constraining good governance into account.

In the case of China, the BTI does not consider the level of difficulty for Chinese political decision-makers to be very high. However, the country report mentions some constraints such as the demographic transition, which affects the country while still at a stage of development, and the social and economic gaps between regions with different levels of development. Moreover, environmental degradation increasingly challenges the country's further development and natural disasters prevent China from achieving food autarky. In addition to these difficult conditions, pay rises in China have caused foreign companies to relocate to other countries in the region where labour is cheaper. However, evaluating China's total level of difficulty, the BTI does not consider that the Chinese government faces any significant drawbacks to good governance.

Despite these relatively favourable conditions, however, China's score of 4.7 on the Governance Index represents only a moderate performance in the BTI. This is largely due to the fact that the transformation towards a liberal democracy is not at all a goal for the Chinese administration. On the contrary, among the CCP there is consensus that democratic transformation must be prevented, and single-party rule maintained. Furthermore, improving living conditions and defending both territorial integrity and national sovereignty are goals by common consent. To meet



(...) CHINA'S SCORE OF 4.7 ON THE GOVERNANCE

INDEX REPRESENTS ONLY A MODERATE PERFORMANCE IN THE BTI. THIS IS LARGELY DUE TO THE FACT THAT THE TRANSFORMATION TOWARDS A LIBERAL DEMOCRACY IS NOT AT ALL A GOAL FOR THE CHINESE ADMINISTRATION.



these objectives, the supremacy of the single party was included in the first article of the Constitution in 2018. Also, economic development, international integration, and the increase of Chinese military power are considered to be core instruments to achieve the mentioned objectives.

As for civil society participation, the BTI mentions that certain mechanisms have been incorporated to include civil society in political debates concerning education, corruption, and environmental issues. However, these limited possibilities of participation are strongly controlled by the authorities of the single party. In case the public debate becomes explicitly critical of the political processes, the discourse will be suppressed. Also, the Chinese government resorts to certain narratives in order to encourage national unity and gain political support. These narratives are dominated, on one hand, by strong opposition to Western powers, who are to blame for China's loss of global supremacy after the Opium Wars in the 19th century. On the other hand, there is the promise to regain that supremacy. Nevertheless, the CCP refuses to acknowledge any responsibility of its own for injustices such as the famine resulting from the Great Leap Forward, the Cultural Revolution, and the Tiananmen massacre.

In other words, although there is general consensus among political officials on their objectives, it is evident that China lacks democratic structures to reach this consensus and that democratization is not on the government's agenda. Therefore, China scores only four out of ten in the BTI's criteria for Consensus-Building.

When it comes to assessing the effectiveness of China's management, the size of the country needs to be taken into account. Thus, the central government depends on local initiatives to govern effectively. According to the BTI, however, Chinese institutions are often centralized and lack vertical and horizontal coordination, which makes it difficult to effectively implement central policies at the local level. This is especially true when national priorities differ from local interests. For instance, the central government's focus on sustainable development can oppose local objectives to ensure continued economic growth, which in turn leads to economic, political, and individual gains for local officials.



WHEN IT COMES TO ASSESSING THE EFFECTIVENESS OF CHINA'S MANAGEMENT, THE SIZE OF THE COUNTRY NEEDS TO BE TAKEN INTO ACCOUNT. THUS, THE CENTRAL GOVERNMENT DEPENDS ON LOCAL INITIATIVES TO GOVERN EFFECTIVELY.



In order to increase bureaucratic professionalism and efficiency, Xi Jinping launched a major anti-corruption campaign to tackle corrupt behaviour within the party, government, military, and state enterprises. However, given the lack of transparency in the selection of the targets, the BTI states that it remains unclear whether there is an ulterior motive behind the campaign to prosecute Jinping's political opponents. In any case, corruption in China constitutes a systemic problem, according to the BTI. As long as the government continues to reject political pluralism and democratic reforms, corruption will persist.

Even though political reforms are not part of the Chinese agenda, the government does show the ability and willingness to learn from its past experiences regarding social, economic, and administrative issues. For instance, the current focus on more sustainable policies emerged after recognizing that the unchecked economic development of the past had brought about social conflict, inequality, and environmental degradation. To mitigate these effects, the Chinese government makes effective use of foreign assistance. Thus, European examples are studied to reform the Chinese social security system accordingly. However, appeasing social conflict and inequality through welfare provisions also reflects the CCP's fear of losing its political legitimacy if public discontent should increase, according to the BTI.



THIS YEAR'S BTI NOTES THAT THE CHINESE GOVERNMENT HAS SIGNIFICANTLY LOST CREDIBILITY AT AN INTERNATIONAL LEVEL. COMPARING THE RESULTS OF 2018 AND 2020, CHINA'S SCORE FOR THE CREDIBILITY INDICATOR DROPPED BY ONE POINT.

Consequently, in the BTI 2020, the Chinese government receives a score of 5 and 5.7 for its Steering Capability and Resource Efficiency, respectively. A medium score that reflects, in addition to the lack of commitment to democracy, the structural limitations of the Chinese bureaucracy.

As for China's international cooperation, it should be pointed out, that this criterion has been China's strong suit regarding the BTI's governance index since its first publication in 2006. Nevertheless, this year's BTI notes that the Chinese government has significantly lost credibility at an international level. Comparing the results of 2018 and 2020, China's score for the credibility indicator dropped by one point.

China is an important trading partner for many countries in the world. However, long-established economic conflicts persisted or even intensified during the review period of the BTI 2020. China's ongoing trade conflicts with the European Union, and especially with the United States, stand out in this regard. Moreover, China's increasing defence spending in a context of regional territorial conflicts



raised concerns about whether China would continue its peaceful development. On the other hand, regional cooperation somewhat improved in the BTI's review period, thanks to reduced tensions over the East China Sea.

However, China's international credibility suffered substantially after two Canadian citizens, Michael Kovrig and Michael Spavor, were arrested and held incommunicado in China in December 2018. This has generally been interpreted as an act of retaliation following the arrest of Huawei's FEO, Meng Wanzhou, in Vancouver a couple of days before. The daughter of Huawei's founder faces charges of fraud in the US and, therefore, extradition from Canada to the United States. Meanwhile, China only recently charged the "two Michaels" in June 2020 with "spying on national secrets" and providing intelligence for "outside entities", according to the *BBC*¹³. China seems to be trying to pressure Canada into releasing Ms. Wanzhou, at which is unlikely to succeed, as the rule of law and separation of powers in Canada impede that a government simply overrules court decisions. Despite Canada's determination not to revoke its democratic principles, concerns still have been growing about whether such arrests of foreign citizens may become an instrument to put pressure on foreign governments. Therefore, the indicator evaluating credibility in the BTI 2020, dropped to six out of seven regarding China's governance.



**(...) CHINA'S
GOVERNANCE
INDEX REFLECTS**

**ONCE AGAIN WHAT HAS
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Apart from this, the Chinese regional leadership increasingly challenges the US' global economic leadership. Firstly, China created new multilateral institutions such as the New Development Bank and the Asian Infrastructure Investment Bank. Secondly, China is increasingly establishing economic ties to developing countries participating in its Belt and Road Initiative.

To summarize, China's governance index reflects once again what has already been noted in the democratic and economic dimensions: while there is a commitment to economic reforms, democratic transformation is not on the agenda.

¹³ "Michael Kovrig and Michael Spavor: China charges Canadians with spying", *BBC*, 19 June 2020, <https://www.bbc.com/news/world-asia-china-53104303> [Accessed: 10/08/2020].



Conclusion




The BTI of 2020 shows that the Chinese economic transformation of the last decades has not yet brought about a similar transformation in the political arena. China continues to fall into the BTI's category of a hard-line autocracy because it does not guarantee civil liberties, political participation, and the separation of powers. With China's growing economic and political importance in international politics, China's expansion has come under close scrutiny. The difference in values between China and the world's liberal democracies thus results in conflict and growing scepticism towards China. The arbitrary detention of two Canadian citizens as an act of retaliation concurs, according to the BTI, with the loss of confidence in China as a reliable and responsible international actor. Moreover, recent international criticism of China's initial lack of transparency dealing with the Covid-19 pandemic and of its Hong Kong National Security Law passed in June 2020 may further damage its reputation. Hence, the BTI warns that the Chinese government faces a real risk of isolating itself from the world's liberal democracies.



CADAL is a private, non-profit, non-partisan foundation, whose mission is to promote human rights and international democratic solidarity.

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The Regional Programme “Party Dialogue and Democracy in Latin America” (hereinafter KAS Political Parties) contributes since 2012 to strengthen political parties and consolidate Latin American democracies. Complementing the activities of the Foundation’s national programmes, KAS Political Parties works on three thematic pillars: the exchange between political parties, the training of new generations of politicians at the regional level, and addressing the new challenges to liberal democracy. KAS Political Parties sees itself not only in the Latin American context, but also as a bridge between Latin America and Europe, always from the perspective of a strategic alliance of values.

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