

Hong Kong 2012



Total: 75.17

Quick facts

Population:	7.15 million
Population growth:	0.42 %
Unemployment rate:	3.4 %
GDP:	355.6 billion \$
GDP growth rate:	5 %
GDP per capita:	49800 \$

Political Freedom

Free and Fair Elections : 3.57

The Basic Law, Hong Kong's constitution, provides for the election of the Chief Executive, the head of government. However, the Chief Executive is not elected directly by the population; he is elected by the Election Committee, an electoral college of 1,200 Hong Kong residents from different constituencies. According to an amendment to the original version of the Basic Law, 35 of the 70 seats of the Legislative Council (Legco) are to be elected directly. The other members are elected by functional constituencies, which represent key economic and social sectors. The latest Legco election took place in September 2012 and was generally regarded as free and fair in terms of the procedures. The democratic camp strengthened their position by winning 27 of the 70 seats. Meanwhile, in the Chief Executive election held in March 2012, the pro-Beijing Leung Chun-ying received the majority of votes cast.

Overall, legislative and executive elections in Hong Kong cannot be regarded as meaningful elections as they are built on and around a semi-democratic structure.

Absence of Unconstitutional Veto Players : 5

The situation of veto players in Hong Kong is complicated. On the one hand, the Basic Law provides for an independent judiciary; hence, in theory, the judiciary could act as a veto player with its rulings affirming law and justice instead of political judgements. On the other hand, China's

National People's Congress (NPC) maintains the right to interpret and review the Basic Law as it sees fit; thus, the power of Hong Kong's Final Court of Appeals is effectively limited. In this regard, mainland China qualifies as a major veto player in Hong Kong politics. Indeed, it has repeatedly asserted that Hong Kong politics is ultimately decided in Beijing and has used its influence to thwart political developments deemed unfavourable to it.

Moreover, there are powerful businesses and other economic groups and organisations in Hong Kong that seek to represent their interests through their presence in both the Election Committee and the Legislative Council.

Freedom of Press : 6.7

While freedom of the press is generally respected and protected efficiently by the Hong Kong laws and authorities, there have been some worrying developments. The influence of mainland China is becoming increasingly strong and has led some media outlets to practice self-censorship. Some Hong Kong media owners allegedly have ties to the Chinese Communist Party and thus do not allow anything to be printed or broadcasted that questions the Chinese government. Also, journalists have at times been obstructed during their work and held back from covering certain topics and events.

Rule of Law

Independence of the Judiciary : 8.47

An independent judiciary is provided for in the Basic Law. By and large, the Hong Kong judiciary is independent from improper influence, and the trial process is generally fair.

However, there has been increasing discomfort with China's influence on court decisions. As previously mentioned, mainland China's NPC retains the right to make final interpretations of the Basic Law, which in effect limits the power of Hong Kong's Court of Final Appeals. A case in point happened in June 2011, when the Court adhered to Beijing's more stringent guarantee of sovereign immunity in a lawsuit involving an American investment fund and the government of Congo. After a split decision, the Court requested the NPC's interpretation of the Basic Law, marking the first such referral by the Hong Kong judiciary. The NPC Standing Committee confirmed the decision in August of the same year. This event has been viewed in different lights. Beijing, for example, saw this action as having positive meaning for the implementation of 'one country, two systems.' However, others regarded this as a test of the independence of the Hong Kong judiciary, as seeking Beijing's interpretation undermined the status of the local courts.

Corruption : 8.4

Hong Kong is generally regarded as having very low rates of corruption. It was the 12th least corrupt place out of 183 countries according to Transparency International's 2011 Corruption Perceptions Index. The main agency responsible for combating corruption in Hong Kong is the Independent Commission Against Corruption (ICAC), which receives complaints and has an extensive mandate to investigate. For example, it can examine bank accounts and business

documents, and ask suspects to disclose their assets. In 2011, it prosecuted 283 persons in 142 cases, with 241 persons convicted among the prosecutions completed during the year.

Despite all those efforts, business interests do maintain considerable clout on the Legco. In July 2012, the ICAC charged two billionaire businessmen, a former high-ranking civil servant and two other men with bribery-related offences. The arrests represent one of the biggest corruption scandals in Hong Kong in decades. Whether the event may affect its reputation as one of the least corrupt economies in the world remains to be seen.

Protection of Human Rights : 7.86

In general, Hong Kong residents enjoy a high level of civil and political liberties. Human rights are guaranteed under the Basic Law as well as under the Bill of Rights Ordinance. Legislation that contradicts the provisions laid down in the Basic Law can be declared unconstitutional by the courts.

However, decisions by Hong Kong immigration authorities to deny entry to several visitors who were critical of the China's human rights record in 2011 have raised concerns that the territory's autonomy is being compromised. Fears over police powers have also grown after the police force adopted a more confrontational approach in dealing with students and the media during the official visit of a Chinese state leader in August 2011.

Economic Freedom

Security of Property Rights : 8.18

Private property and the freedom of exchange are generally well protected under the Basic Law. All land is controlled by the government which, through public auctions, issues renewable leases until 2047.

However, the enforcement of intellectual property protection is somewhat problematic. Pirated media and other counterfeit products are readily available and sold more or less openly.

Size of Government: Expenditures, Taxes, and Enterprises : 8.89

Government spending (which includes consumption and transfer payments) is low, accounting for 17.3% of the GDP. Government policies aim at maintaining a balanced budget.

Hong Kong's tax rates are low. The income tax rate is set at between 2 and 17% (adjusted by deductions and allowances, or at a flat 15% of gross income, whichever is lower). The highest corporate tax rate is 16.5%. Overall, tax revenue represents about 13% of the GDP.

Regulation of Credit, Labour, and Business : 9.08

Hong Kong's regulations and laws provide for a transparent financial sector, which not only

withstood the challenges of past financial crises, but also cemented Hong Kong's status as a leading international financial hub. Banks are under the supervision of the Hong Kong Monetary Authority, with regulations applying equally to domestic and foreign banks. Credit is given at market terms.

Starting, running and closing a business is uncomplicated, and has been made even easier with the recent introduction of online registration services for companies and businesses. It now takes no more than three days and three procedures to start a business. Obtaining a license can be done in 67 days and 6 procedures.

Freedom to Trade Internationally : 9.02

International trade is subject to only few obstacles, such as pharmaceutical, food and energy labelling regulations. Hong Kong's weighted average tariff rate is 0%.