

Hong Kong 2013



Total: 74.63

Quick facts

Population:	7.18 million
Population growth:	0.39 %
Unemployment rate:	3.3 %
GDP:	375.5 billion \$
GDP growth rate:	1.4 %
GDP per capita:	52300 \$

Political Freedom

Free and Fair Elections : 3.57

The political system of Hong Kong is based on the Basic Law which was agreed upon by the British and Chinese authorities in 1984 and took effect in 1997 with the return of Hong Kong to China. The Basic Law aims to maintain legal, political, and economic autonomy for 50 years.

The electoral process in Hong Kong is based on semi-democratic structures but cannot be regarded as fully democratic. Although its proclaimed goal is universal suffrage, only 35 out of 70 seats in the legislative body, the Legislative Council (Legco), are directly elected. Thirty are chosen through functional constituencies representing key social and economic sectors. The remaining five are publicly elected from pre-selected candidates from the 18 district councils. The Chief Executive serves as head of government. The office holder is chosen by an election committee consisting of 1,200 pre-selected Hong Kong residents from different constituencies, many with close ties to Beijing. Since March 2012, pro-Beijing oriented Leung Chun-ying serves as Chief Executive.

The latest Legco elections took place in September 2012 and can generally be regarded as free and fair under the given procedures. The democratic camp was able to win 27 of 70 seats, winning a majority of the directly elected seats. This result enables it to retain a veto on constitutional changes.

Absence of Unconstitutional Veto Players : 5

Defining unconstitutional veto players in Hong Kong is somewhat tricky. The Basic Law theoretically guarantees an independent judiciary, providing a potential legal veto player against political judgment and interference. However, China's National People's Congress (NPC) maintains the right to interpret the Basic Law, hence limiting the power of Hong Kong's Final Court of Appeals. Additionally, Beijing clearly influences media coverage on, but not limited to, topics concerning China and has a strong influence on the composition of the Legco through the election committee. History has also shown that Beijing effectively decides who serves as Chief Executive. These factors make mainland China a clear veto player, highlighting that Hong Kong politics are ultimately decided in Beijing.

Furthermore, many influential business people have strong ties to decision makers in mainland China, realising that their personal economic future is closely connected to directives and developments coming out of Beijing. Many of them hold seats in the Legco, where they seek to influence processes, and therefore ultimately tend to represent Chinese interests.

Freedom of Press : 6.5

The Basic Law generally guarantees freedom of speech, press and publication. The media sector is diverse and coverage of the territory's politics can be considered critical and serious. This does not equally apply to topics concerning mainland China.

Violent attacks against journalists - although rare - have become more frequent in 2012. Additionally, Beijing's efforts to influence media production now often touch internal Hong Kong politics, shifting away from the former approach of mainly silencing coverage of sensitive issues concerning mainland China. Beijing also put pressure on media outlets before the election of a new Chief Executive in 2012 in order to curb critical coverage of their candidate, Leung Chun-ying.

Rule of Law

Independence of the Judiciary : 8.41

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. 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. Some see this as effectively undermining the status of the local courts.

Corruption : 7.7

Hong Kong has the second lowest level of corruption in Asia, behind Singapore. In Transparency

International's 2012 Corruption Perception Index, it ranked 14 out of 176 countries, above Japan, the UK and the US.

The Independent Commission Against Corruption (ICAC) is the main agency responsible for combating corruption. In 2013, ICAC was forced to investigate its own former chief who is suspected of spending public money for his own political purposes. The ICAC has opened a criminal investigation into the matter.

A 2012 corruption scandal involving two billionaire businessmen has been brought to trial and people remain confident in the ability of the authorities to combat corruption.

Protection of Human Rights : 7.82

Hong Kong has the highest Freedom Barometer levels for human rights in Asia. In general, Hong Kong enjoys a high level of civil liberties and the Hong Kong government respects the human rights of the citizens. Human rights are guaranteed under Basic Law as well as under the Bill of Rights Ordinance. The death penalty has also been abolished.

Some issues remain, there is a lack of protection for homosexuals due to the absence of a sexual orientation anti-discrimination law and a lack of all-encompassing protections for labour rights.

Hong Kong's Civil Human Rights Front recently criticized the Hong Kong government for intensifying political persecutions and excessive use of force by police.

Economic Freedom

Security of Property Rights : 8.05

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 : 8.94

Government spending (which includes consumption and transfer payments) accounts for about 21% of 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 14.5% of GDP.

Regulation of Credit, Labour, and Business : 9.28

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. Online services allow fast registration of companies and businesses. There are no minimum capital requirements. It 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. The World Bank ranks Hong Kong 2nd out of 185 countries in its 2013 Doing Business report.

Freedom to Trade Internationally : 9.36

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%.