

Hong Kong 2014



Total: 74.67

Quick facts

Population:	7.11 million
Population growth:	0.41 %
Unemployment rate:	3.1 %
GDP:	381.3 billion \$
GDP growth rate:	2.9 %
GDP per capita:	52700 \$

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.

The continuing debate over how Hong Kong will choose its most powerful figure, the Chief Executive, reached emergency proportions with a mass protest movement's seizing large portions of the three downtown core areas (Central-Admiralty, Causeway Bay and Mong Kok).

The Hong Kong government delivered the second of a five-round constitutional reform process to Beijing in the form of a report compiling submissions from the Hong Kong people. It ignored and downplayed the democratic aspirations of many, causing anger. The National People's Standing

Congress then delivered a paper that seemed to shut the door on the issue of how nominations would be conducted. The people of Hong Kong were advised to take the deal on offer (universal suffrage, but candidates screened by Beijing) by mainland spokespersons, the Hong Kong government and various so-called 'pro-establishment' figures allied with Beijing.

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 Legislative Council through the election committee.

The issuance of a Beijing 'White Paper' reminded Hong Kong people that their autonomy was solely at the favour of the Chinese government, a fact disputed by those noting Hong Kong's autonomy is guaranteed by international treaty between Britain and Hong Kong. Beijing hardened its stance on ensuring control over nominees for the Chief Executive position in a system where the executive led government has many more powers than the legislature. The position of the Beijing (hence Hong Kong) government is that they can veto nominees for the key position of Chief Executive.

Freedom of Press : 6.3

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. Many media companies are owned by China-friendly business men and even Chinese parliamentarians and thus publish content that serves Beijing's interests.

The past year witnessed a decrease in Hong Kong's press freedom, among others due to an increase in violent attacks on China-critical journalists. Among the victims of the attack was prominent news editor Kevin Lau, who was known for his investigative journalism and did not shy away from addressing sensitive topics related to political and economic corruption. His position as chief-editor of a well-known Hong Kong magazine was replaced with a Malaysian editor who is known to be more Beijing-friendly. At the time of writing this report, cyber-attacks had been aimed at blocking distribution of pro-democracy and international newspaper distribution in Hong Kong.

Rule of Law

Independence of the Judiciary : 8.81

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.

But the aforementioned White Paper aroused major concern that Beijing was announcing an abandonment of the principle of judicial independence. The paper suggested that judges were 'administrators' of the state and should be loyal to it and consider non-judicial factors (i.e. social, economic, stability). This prompted a rift in the legal profession and public protests by lawyers concerned about the independence of the judiciary.

During the third quarter of 2014, the head of the Law Society, Ambrose Lam, voiced support for the White Paper on behalf of his organisation. Already unpopular for his support of Beijing and his refusal to speak English at press conferences, he was subject to the Society's first ever vote of non-confidence. Widely expected to fail, the motion passed with a large majority, even in the face of a campaign to have senior lawyers pressure their staff to vote against the non-confidence motion.

Corruption : 7.5

Hong Kong has the second lowest level of corruption in Asia, behind Singapore. The Independent Commission Against Corruption (ICAC) is the main agency responsible for combating corruption.

A major court case against the highest ever official accused of taking bribes (Rafael Hui) from one of the biggest developer families (the Kwok family and associates of Sun Hung Kei) in Hong Kong continues with many a bizarre twist. The trial involves huge sums of money taken for insider information and influence regarding government decisions.

Protection of Human Rights : 7.77

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 the 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.

Economic Freedom

Security of Property Rights : 7.96

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. A debate over property rights versus the rights to assemble, and protest, started as protesters caused serious damage to small retail and catering (restaurant) businesses in areas

impacted by the occupation, in particular Mong Kok and Causeway Bay.

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 : 9.38

Government spending (which includes consumption and transfer payments) accounts for less than 20% 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% of GDP.

Regulation of Credit, Labour, and Business : 9.02

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 71 days and 6 procedures.

Freedom to Trade Internationally : 9.36

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