

# Hong Kong rated as world's second freest economy

Hong Kong was ranked number two in the 2020 Index of Economic Freedom, published by the Heritage Foundation (the Foundation). Hong Kong attained high scores of 90 or above in seven out of 12 components adopted for measuring economic freedom, though Hong Kong's overall score decreased by 1.1 points from the previous year due primarily to a decline in the "Investment Freedom" score, which was mainly due to security issues arising from the social unrest in the latter half of 2019.

A Government spokesperson said today (March 17), "We are naturally disappointed that Hong Kong, which held the world's freest economy title for 25 successive years, has dropped to number two. But we welcome the Foundation's continued recognition of Hong Kong's various strengths and its awareness that the territory remains a dynamic global financial centre with a high degree of competitiveness and openness. It is gratifying to note that Hong Kong attained the highest score among the assessed economies in terms of 'Fiscal Health', 'Business Freedom', 'Trade Freedom' and 'Financial Freedom'.

"Hong Kong faced some unprecedented challenges in 2019. Since June last year, there have been numerous incidents of protests under the pretext of opposing an extradition bill, which had been put on hold since violence erupted and was subsequently withdrawn. The bill, inter alia, sought to enhance the framework for mutual legal assistance in criminal matters between the Hong Kong Special Administrative Region (HKSAR) and other parts of China, and was certainly not politically motivated.

"The high level of civil disobedience, acts of vandalism and intimidation of people holding a different political standpoint have inevitably tarnished Hong Kong's reputation as a safe and orderly place. The HKSAR Government condemned such acts of violence and is determined to deal with them in strict accordance with the law.

"While the local social unrest and turbulence in the past year, and how these were perceived overseas, might have affected Hong Kong's score in the investment environment, we must stress that Hong Kong's institutional strengths are unscathed and our underlying fundamentals remain strong. It is relevant to note that Hong Kong's scores in the three components relating to the rule of law – 'Property Rights', 'Judicial Effectiveness' and 'Government Integrity' – have all increased in the 2020 Index of Economic Freedom," said the spokesperson.

"Investors continue to have confidence in our long-term economic prospects, especially given Hong Kong's platform role for international investors to access the Mainland market," he said.

"Since the return to the Motherland, the HKSAR has been exercising 'Hong

Kong people administering Hong Kong' and a high degree of autonomy in strict accordance with the Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China. The 'one country, two systems' principle has been fully and successfully implemented.

"Under the 'one country, two systems' principle, Hong Kong's capitalist system, free economy and trusted legal system remain as robust as ever, the free flow of capital within, into and out of Hong Kong is guaranteed and Hong Kong residents continue to enjoy a wide array of freedoms, including freedom of speech, of the press, of assembly and of demonstration.

"With the further opening up and deepening of economic reform in the Mainland, Hong Kong is poised to be both a 'facilitator' and a 'beneficiary' of important national development strategies such as the Guangdong-Hong Kong-Macao Greater Bay Area and the Belt and Road Initiative.

"Contrary to the Foundation's concern, such integration with the Mainland through trade, tourism and financial links will not erode Hong Kong's freedoms.

"Free market principles have long been essential considerations of our policies and the cornerstone of the Hong Kong economy. The Government will continue to uphold the fine tradition of the rule of law and judicial independence, maintain a simple and low tax system, improve government efficiency, safeguard an open and free trade regime, and build a level-playing field for all, so as to create a favourable environment for business to thrive and to enable the economy to prosper," the spokesperson added.

The 2020 Index of Economic Freedom report was released by the Foundation on March 17, 2020, analysing the level of economic freedom of 180 economies. Hong Kong was ranked second in the Index with an overall score of 89.1 (out of 100), which was well above the global average of 61.6.