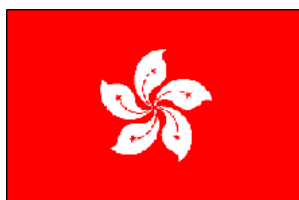


COUNTRY PROFILE



Hong Kong

GLOBAL RANK: 8th of 104



Hong Kong ties for 8th place overall with New Zealand and Denmark. It ranks 2nd in Economic Competitiveness, driven by an extremely high score for economic openness, although only 19th in Comparative Liveability.

● BACKGROUND

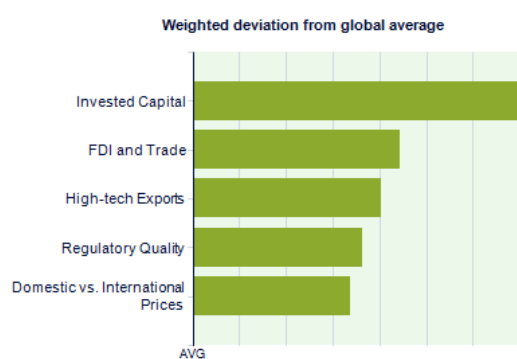
This 'Special Administrative Region' has a high degree of political autonomy, and greater democracy and press freedom than in mainland China. Since the end of British control in 1997, tourism and investment from Chinese firms on the mainland has boomed. Hong Kong is an advanced and wealthy economy with per capita income well above the average for China. It offers investors not only a 'gateway' to the Chinese market, but also a highly transparent and open investment climate. Hong Kong residents enjoy long life expectancy and world-class education, although living space is extremely limited for most.

FAST FACTS

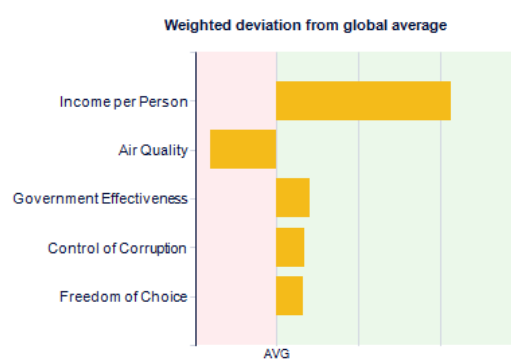
| | | | |
|--------------------------|--------------------------------|--------------------------|----------------------------|
| Population: | 7 million (2008 est.) | FDI (net inflow): | 40.52% (2006 est.) |
| Life Today | 5.5 (2006 est.) | Exports | 166.92% (2006 est.) |
| GDP (PPP) | \$292.8 billion (2007 est.) | Imports | 176.33% (2006 est.) |
| GDP (Growth) | 6.3% (2007 est.) | Unemployment: | 4.1% (2007 est.) |
| GDP (per Capita) | \$42,000 (2007 est.) | Life Expectancy | 81.77 years (2008 est.) |
| Political System: | Limited Democracy | | |
| Foreign Aid: | 0.00% (2004 est.) | | |

● KEY SCORE DRIVERS

ECONOMIC COMPETITIVENESS



COMPARATIVE LIVEABILITY



One of the four Asian tigers, Hong Kong achieved IMF 'advanced economy' status by following the export-led Asian development model. This achievement is at least partially as a result of substantial capital investment. In addition, levels of high-tech exports rank second only to Singapore.

However, unlike Singapore, South Korea and Taiwan, Hong Kong's expertise has moved somewhat into services, which, according to the country's Census and Statistics Department, accounted for 91.7% of GDP in 2007. Hong Kong retains high standards of transparency and infrastructure, and foreign trade and investment in general flourish. The government's strongly free-market-oriented

Hong Kong's rapid post-war growth has raised incomes to nearly \$33,000 and most indices of quality of life have also risen dramatically. However, inequality is pervasive and growing, and poverty has become a major political issue. There is no universal minimum wage, with the government preferring investment in education as the best way to boost employment and alleviate poverty.

Hong Kong scores exceptionally badly on the environmental indicators. Its tangible air pollution has economic and health effects, exacerbated by the hot climate. Estimates vary over the influence of respiratory illness on life expectancy and the cost in lost work hours,

policy is reflected in a high score on quality of regulation.

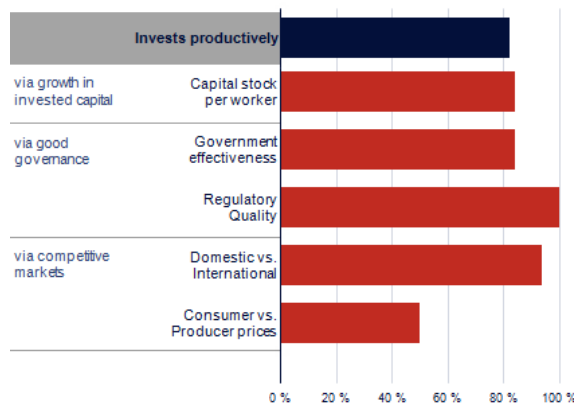
The economies of Hong Kong and the mainland province of Guangdong are increasingly interdependent. Hong Kong is buoyed by the strength of its competitiveness in international markets, as indicated by movements in relative price levels. However, by pegging its currency to the dollar, Hong Kong is exposed to a number of potential problems.

China was the destination for 48.7% of exports and the source of 46.3% of imports in 2007. Further integration is being promoted through a Closer Economic Partnership Agreement, which will enhance an already impressive openness score.

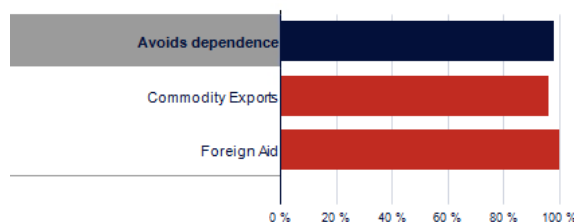
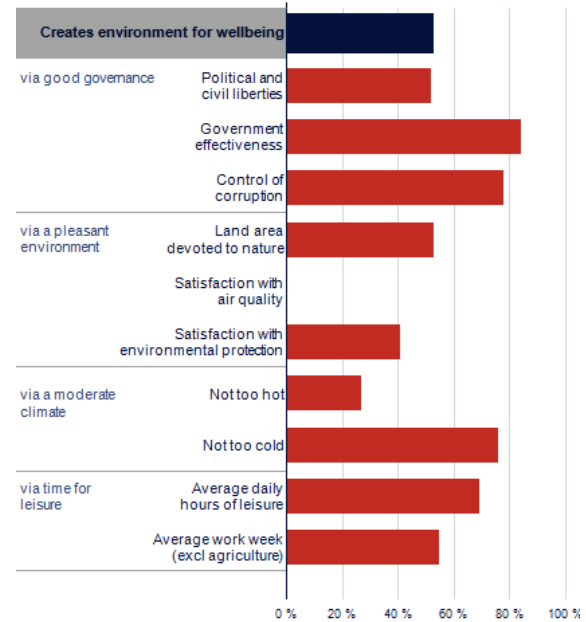
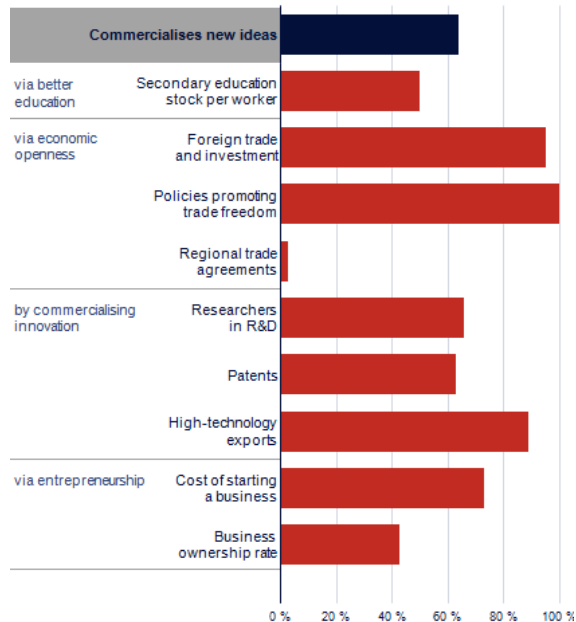
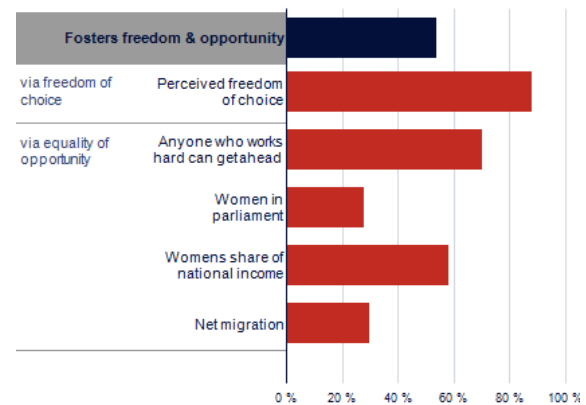
but anecdotal evidence suggests that expatriates and investment have moved to Singapore as a result.

Hong Kong residents enjoy good civil and political rights under the 1997 Basic Law principle of 'one country, two systems' and 91%⁹ of people are satisfied with their high freedom of choice. However, China retains the sole right to interpret the Basic Law and has set limitations on direct elections to the Legislative Council and chief executive. Nonetheless, Hong Kong scores highly for both the effectiveness of government and its control of corruption, increasing Comparative Liveability overall.

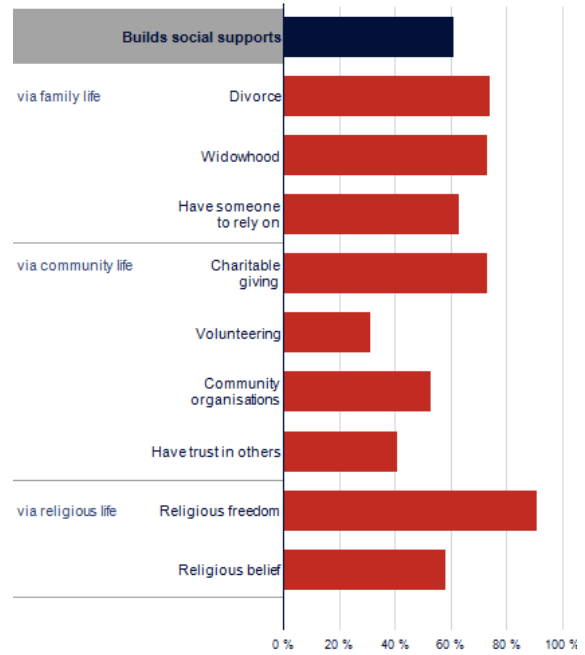
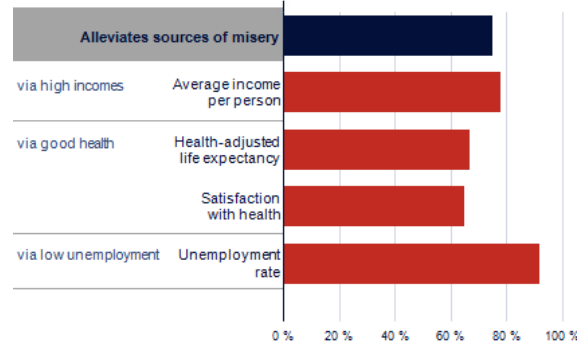
ECONOMIC COMPETITIVENESS: SCORECARD



COMPARATIVE LIVEABILITY: SCORECARD



All subindicator scores in the Index are shown unweighted, expressed as a percentage of the score for the best-performing country in the Index. Indicator scores (in dark blue) are derived from the weighted average of relevant subindicators. For more information on how the subindicator scores are weighted to produce indicator scores and an overall Index score and ranking, see Chapter Two of this report.



References:

^{9, w} See www.prosperity.com/references.aspx for further details including date of survey, sample size, and margin of error.