

HONG KONG

Asia's world city

January 2007

The World's Freest Economy

Hong Kong is consistently described as the world's freest economy by notable international institutions including the US-based Heritage Foundation and the Fraser Institute of Canada.

Hong Kong is proud of this distinction, but not complacent, because competition is a thriving business in Asia.

Economic freedom has undoubtedly played a critical role in Hong Kong's many successes over the past decades, and there is always a keen awareness that improvement is possible, if not desirable.

The Heritage Foundation has ranked Hong Kong number one on its Economic Freedom Index since it was first published in 1995.

The Fraser Institute, in conjunction with the Cato Institute of the US and other research institutes around the world, also judges Hong Kong to be the globe's least fettered economy.

"From 1970 to the present, Hong Kong has ranked as the freest economy in the world in the index published annually in Economic Freedom of the World," says the Fraser Institute's 2006 report, which is dedicated to Hong Kong's financial secretary during the 1960s, the late Sir John Cowperthwaite.

"His achievements and Hong Kong's experience have influenced economic freedom throughout the world."

These number one rankings are recognition of Hong Kong's long-standing commitment to free enterprise, free trade, free competition and the free flow of information.

In the Heritage Foundation's 2006 Index of Economic Freedom, Hong Kong scores a best possible number '1' ranking (on a scale of 1 to 5) in trade policy, monetary policy, capital flows and foreign investment, banking and finance, property rights, and regulation.

In the remaining four categories — fiscal burden of government, wages and prices, government intervention in the economy and informal market — Hong Kong scores '1.5' to '2'.

What the Index says (in brief) :

Overall

Hong Kong remains a model of economic freedom. It is a free port with no barriers to trade; has simple procedures for starting enterprises, free entry of foreign capital and repatriation of earnings, and transparency; and operates under the rule of law.



Trade Policy

Hong Kong is basically duty-free. According to the US Department of Commerce: "Non-tariff barriers such as labelling requirements, standards, etc are minimal."

Capital Flows and Foreign Investment

Hong Kong is receptive to investment and does not discriminate between foreign and domestic investors. The Hong Kong dollar is freely convertible, and the International Monetary Fund reports that there are no controls or requirements on current transfers, purchase of real estate, access to foreign exchange or repatriation of profits.

Banking and Finance

Hong Kong is a global banking centre. The Government does not own any banks. Hong Kong has passed legislation making it easier for foreign banks to enter the market.

Property Rights

According to the Economist Intelligence Unit: "Contractual arrangements are generally secure in Hong Kong, aided by its transparent common-law legal system inherited from the UK. Protection of private property and freedom of exchange are enshrined in Hong Kong's mini-constitution; they are in no danger of being weakened in the foreseeable future."

Regulation

Business regulations are streamlined and applied uniformly. It is relatively easy to start a company.

Wages and Prices

Hong Kong's market largely sets wages and prices, although price controls are imposed on rent for some residential properties and on public transport and electricity.

Hong Kong — the world's freest economy

Hong Kong's economy was adversely affected by the SARS epidemic in early 2003 but has since staged an impressive recovery, underpinned by strong trade flows and a rebound in the tourism, retail, catering, property and financial sectors.

How Hong Kong's economy performed in 2006 :

GDP : US\$189.53 billion

Real GDP Growth : 6.8%

Total merchandise trade : US\$651.5 billion

Merchandise trade growth : 10.5%

Consumer Price Index : +2.0%