

March 5, 2021

The Editor
The Wall Street Journal

Dear Editor,

Mr Edwin Feulner's explanation of Hong Kong's exclusion from the Heritage Foundation's latest Index of Economic Freedom is flawed ("Hong Kong is no longer what it was" March 3, 2021).

As a founder of the Heritage Foundation and frequent visitor to Hong Kong, Mr Feulner should be well aware that, the sudden exclusion of Hong Kong is clearly inconsistent with the long-adopted assessment criteria and a departure from the long-established practice for the Index. Hong Kong always ranked high in the areas of fiscal health, business freedom, trade freedom and financial freedom, which are the parameters used by the Foundation in compiling its Index. Our strength in these areas has not changed.

Since the establishment of the Hong Kong Special Administrative Region (HKSAR) in 1997, the city has retained its capitalist system, monetary and fiscal autonomy, common law system and judicial independence. Indeed, these are among the reasons why Hong Kong ranked as the world's freest economy for 25 consecutive year of the Index's 27-year history.

Hong Kong's exclusion this year is disappointing and inexplicable. It ignores the fact that, under the Basic Law and the principle of "One Country, Two Systems", the HKSAR retains its status as a separate customs territory and individual member of international organisations such as the WTO and APEC. We have signed Free Trade Agreements with 20 economies and 45 double taxation agreements with our trading partners.

Hong Kong remains committed to promoting a free and open economy. This philosophy is ingrained in our DNA and continues to serve our city well. The facts from last year speak for themselves, including: Hong Kong being the second-largest IPO market; net capital inflows of US\$50 billion; and, more than 9,000 Mainland and overseas companies operating in the city.

The facts and figures speak volumes of Hong Kong's high degree of autonomy over its economic, financial and trade policies, and all the more, make plain that Hong Kong's exclusion from the Index was nothing but politically biased.

As a sophisticated international metropolis highly connected to the world, Hong Kong has been playing a unique role as a gateway, a springboard and an intermediary between China and the rest of the world. We will continue to leverage on the advantages of the "One Country, Two Systems" principle to consolidate our position as an

international centre for finance, commerce and trade as well as a home for corporate headquarters.

Hong Kong will continue to champion principles of economic freedom in driving local, national and regional growth for many years to come.

Yours sincerely,

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